How to Start a Startup and Fund It

Talks and Guidelines for Building a Successful Startup

By David Sonino

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- Realization between planning teams and authorities and residents.
- Consulting and construction of hotel and recreational ventures
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- Target audience analysis, operational models, demand surveys and economic programming.
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- Formulating organizational strategies for authorities, wings and nonprofits.
- Managing processes of streamlining, air conditioning, establishing and assimilating organizations.
- Managing public sharing programs and inter-organizational collaborations.
- Specialization in Logistics and Planning Service Systems
- Operating systems analysis, supply chain, human resources and service buildings.
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Chapter One

We hear the term startup a lot, with facts, news and information about this topic being published in the media from time to time. It is certainly an interesting topic and it is likely that many want to know what the fuss is about.

What exactly is a startup, and how can it be defined, for example? What characterizes a startup and how does it operate, is funded, succeeds and/or fails. In general, what are the factors that may lead it to success and takeoff and/or to sloughing off and failure?

In fact, there is no agreed-upon definition of the term startup, but rather the definition varies depending on the context in which the term is used.

However, despite the above, the term startup has a kind of basic concept that can serve as a kind of initial definition.

Accordingly, a startup is generally perceived as a temporary organization, like any organization, it has a goal to implement a business model, which can be strengthened, developed and, above all, grow through it quickly, usually, under changing economic conditions, for example, conditions of extremely high economic uncertainty.

As in any other field, when we have a "liquid" definition, there is always the possibility of delimiting the term and not defining it. The difference between delimiting and defining should be clear. When delimiting a term, we are actually specifying its characteristics and not defining what it really is.

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This method of characterization often helps when we have imprecise definitions of terms. Through delimitation, we discern what that term contains. However, unlike the definition, which also characterizes the term, the characterization in the delimitation of the term is not exclusive to the term itself.

Just as the same symptoms sometimes appear in several diseases, the variables characterized by one term may appear with the same meaning in other terms. Thus, the delimitation of a term becomes less exclusive than the definition of the term.

The definition of innovation varies somewhat depending on the context, but here are a few characteristics that can be observed in various startup ventures.

The most prominent initial characteristic is innovation. Every startup is built on the theme of innovation. This is in several ways. Usually, the startup tries to provide a solution to existing and/or new problems through an innovative solution.

That is, the startup, being customer-oriented, must always fulfill a need that the customer has. Whether it is an existing need, then the startup tries to provide a new and/or different solution to existing solutions. However, sometimes the startup does not address the traditional direction of providing the need, but rather creates the need itself.

Thus, by opening additional channels, the startup introduces new needs, new solutions, and even creates new markets that did not previously exist into the market. Thus, in fact, the startup is characterized by being an innovative business model.

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In principle, every business endeavor that is made adopts a business model that aims to lead it to economic success and a certain business result. Most traditional business models usually offer growth at a reasonable rate.

For example, a person opens a restaurant, over time and sometimes it takes several years, the restaurant begins to succeed, gaining a reputation and customers.

That person, for example, after a certain establishment, tries to replicate his success, and he begins to develop additional branches for his restaurant.

At a later stage, only after he has established himself deeply in the field, he will begin to sell and/or distribute licenses to branches, opening a kind of network of restaurants, some of which he owns and some of which are operated through franchisees.

In fact, when it comes to a startup, this process of replicating success exists, but it is carried out more quickly than it happened in the case proposed above.

That is, since the startup, by its very basic concept, speaks of a special business model, unlike the usual business models, it will enjoy faster growth and is built for rapid expansion, scalability.

An equally important variable of the startup is expressed in the conditions in which the startup operates.

Since the startup does not "wait" for the natural development of the organization, a development that usually requires time and resources.

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This is while conducting itself in a manner that characterizes that organization, the startup is characterized by uncertainty.

In other words, the startup usually operates under special conditions that are not "normal" in other organizations. Therefore, the startup operates in an uncertain environment, unstable conditions, unstable income and usually with continuous investments until the desired economic success.

This variable of constant investments without accumulating income along the way is a significant and prominent characteristic of a startup.

Every other economic venture, before its establishment, presents economic programming, with a possible timetable for the return of the investment. Thus, by calculating the net present value and the internal rate of return of the venture, investors can learn to what extent the venture they are about to participate in is stable and profitable.

In a startup, as mentioned, since it is innovative with a special business model, it is extremely difficult to predict its degree of success. This is how the next characteristic of the startup is indicated. The startup relies mainly on heavy external financing.

Private investors, known as angels, enter this picture. These are people with equity who are looking to advance their capital by investing in ventures, especially in the early stages. They do this in exchange for percentages of the company and/or participation in future profits.

Sometimes several such private investors come together as a group and invest in a venture, usually in the world of startups.

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In addition to those private investors who invest individually and/or as a group, there are venture capital funds that invest in those startups that they believe may return their investment and generate handsome profits.

In fact, this characteristic of external financing generally reduces the risk of failure for the founders, but also reduces their percentage of control in the future company that will operate the venture.

Or in the case of Israel, after the success of the venture, the founders make an exit, sell their share to other investors and turn to establish a new venture.

The following two characteristics of the startup are not mandatory, but they are also included in the characteristics of various startup ventures. First, the composition of the founding or leading team. Usually, it is a small team that works on building the product and/or service that makes up the startup.

Although this is a characteristic of many startups, it does not require all existing startups. This is because there are sometimes relationships that precede the startup.

For example, a group of friends from high school and/or university who collaborate and promote a product or service while they are still in this framework.

Thus, the variable of a small team, which is usually a factor that creates the most important confidentiality issue in the first stage of the startup, along with the investment necessary to maintain a larger team, may not constitute a variable when it comes to the case proposed above.

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The additional characteristic variable, which does not always come as a necessary condition for every startup, is the technological variable. That is, there are startups that are based on technological innovation, but not all of them.

Sometimes, when a startup, for example, offers a new solution to an existing need, the solution is not always in the technological field. True, sometimes the solution is a technological improvement and/or technological innovation, but this does not require all startups.

From what has been said above, it follows that a startup is perceived as a business initiative that is in an early stage of this initiative. The goal of a startup is usually to build or offer a product or service that has significant growth potential, beyond ordinary products, when this product or service is accompanied by the use of groundbreaking technology or innovation.

As mentioned, there is actually no precise definition of a startup, since it describes more of a stage in the development of a business and does not present a type of business. In fact, a startup is a stage of business development, and as the name suggests, it is the initial stage of business development and/or the business venture.

Since a startup is an organizational situation, the goal of which is to create something new, the conditions for the economic uncertainty of the startup are absolutely extreme. Especially when the use of technologies that have not yet been tried, and/or methods that have not been used in the past, is not always necessary. All in order to lead to rapid growth, while introducing some innovation of any kind.

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Therefore, "a startup is a new company at the beginning of its journey, whose goal is to find a profitable and stable business model. This description of the startup emphasizes the business situation of the venture and does not refer to the innovation or growth rate of the venture, which are usually what attracts various investors.

Since the term essentially describes a stage in the development of future society, the description of the venture may be conditioned by the context and can describe a venture of any type. From here we can find a startup venture that is business, technological, legal, academic or cultural.

It should be remembered that although the term presents a certain organization, it is not a legal entity. It must be formulated and anchored subject to the laws of the country in which the startup is carried out. There are startups that started without any legal status, that is, not a company, partnership or independent trader, and later encountered problems that stemmed from the lack of a legal entity.

The term, therefore, remains a descriptive term and does not determine or receive a legal legal status, in accordance with the laws of the country. Therefore, it is necessary, at the same time as calling the venture a startup, to also regulate the legal status of the contract between the parties.

In the past, only ventures that promote a new algorithm or patent were referred to as startups. However, today the term has expanded and can include, in addition to patents and/or technological innovations, also different uses of existing platforms. For example, a delivery app or a matchmaking app would also be considered a startup. The main thing is

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the rapid growth capacity of the venture and less so its technological aspect.

It should be noted that there are usually differences in the outlook towards startups between investors and entrepreneurs. Investors, by nature, will look at and evaluate the risk versus the opportunity.

In other words, they will evaluate their return versus their investment. This return will be realized when the startup's rapid growth is realized.

On the other hand, entrepreneurs usually perceive the startup in terms of the idea and the implications of the idea on the customer's perception of the world and reality.

For example, when a person thought of a matchmaking app and tried to promote it as a startup, the entrepreneur saw the service he provided to participants more than the idea that would make him money.

Beyond that, there is a difference between the cultures where the entrepreneurs come from. For example, as is known, Israel is known as the "startup nation", since many startups have existed in Israel, far beyond the percentage of the population.

However, the intention of startup entrepreneurs in Israel is usually more to make an exit, to sell the venture at a high price already in the pre-takeoff stage, and move on to another venture.

In contrast, the culture of startup entrepreneurs in the United States sees more the issue of takeoff and rapid growth of the venture. Therefore, in Israel, the entrepreneurs of the various startups will usually have more than one startup.

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This is because they continue on after the exit. In contrast, startup entrepreneurs in the United States will be more in the field of operating the startup after takeoff.

It should be noted below, startups in India and sometimes also in Africa, which also have certainly respectable startups. However, the emphasis in India and Africa is on social startups and less on economic startups.

In other words, the profit of the startup in India will be social, not economic. In this case, the term startup has become a way to describe the aspiration for growth, innovation, and overcoming various obstacles and uncertainties.

Chapter Two

After we were able to understand that a startup is an organizational state of an organization that is at the beginning of its organizational path. We also learned that a startup can be established in almost any subject, and in fact the field in which the startup will operate may define its essence.

Furthermore, every startup, in order to be called a startup, needs rapid growth, while replicating the business model in which it specializes. Now, we must examine what a business model actually is and which business models can be defined as those that can be replicated and grow quickly

If we want to define it concisely, we can see the business model of an organization as the way or ways in which the organization takes to derive value from its activities as an organization. In fact, a concise

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definition of a business model takes into account the means to achieve the organization's goals.

Basically, every organization has a goal or goals for which it was established. Whether we have an economic organization like a commercial company, or a social organization like an association to help people from the weaker strata of the state and/or a totalitarian organization like a prison army whose job is to impose discipline on its clients.

However, there are organizations in which these three types of organizations are combined. For example, a psychiatric hospital, subject to and depending on which type of client it is for, becomes a combined organization.

For the inmates, for example, those patients treated in this hospital, this is a coercive and totalitarian organization, since they have no option of leaving without the permission of a competent authority.

As is known, in such hospitals, there is a team of workers, for whom this is a completely economic organization. They are there, albeit with all the goodwill and public volunteerism, also for their employment and the monthly income they receive for their efforts there.

Furthermore, in such hospitals, there are volunteers and those who donate to the community. For these people, it is a voluntary and social organization. Since their goal is to donate and help all those patients in this hospital.

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If we return to the subject of the business model, we find that the organization's business model will be the actual explanation of how that organization operates or is about to operate.

It should be mentioned here that, ultimately, every organization of any kind is supposed to generate some value for its customer. An economic organization promotes its goal, which is usually income for the owners of the organization, by providing some value to their customers.

A voluntary organization, for example, also promotes itself through the contribution and/or value it provides to its customer base. A totalitarian organization also provides some significant value to its customer base.

Even the prison is supposed, at least by definition, to enable rehabilitation, as a significant value to its target audience. Even for that target audience that does not rehabilitate, the prison constitutes a "greenhouse" for it in which it "improves" its "professionalization" in crime.

Therefore, it is usually necessary to distinguish who the organization's target audience is in order to adjust or plan the contribution or value that that target audience will find in the organization's efforts.

As we saw, for example, in an economic organization, does it create any value for the customer? Here we can learn what product or service that organization provides, and whether that product or service is of benefit to the customer.

Beyond that, there is a need to know how that value arrives or is distributed to the customer. For example, what are the distribution

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channels, the supply chain involved so that the product and/or service ultimately reaches that customer so that he sees any value in it.

The best product and/or service in the world will not be able to add any value to the customer, if that product and/or service does not reach the customer. The customer has no exposure or availability to obtain that service and/or product. In this case, no benefit is created for the customer and hence, the organization may fail to fulfill its goals.

Therefore, another variable of that model will try to examine the ways in which the organization's activity can be translated into something meaningful for the organization. For example, for an economic organization that seeks to maximize profits, and/or a social organization that seeks social recognition and/or a totalitarian organization that seeks to maintain "social peace."

Every organization, therefore, engages in what is known as a "conversion process." The conversion process is the collection of actions needed to transform inputs into outputs, while taking into account the resources needed, the order of execution, and the execution method. The goal is to design the process so that it best serves the organization's goals.

Inputs are all the resources that the organization invests in order to produce outputs. Thus, outputs are the desired results that the organization expects or seeks to receive as a result of its investment in the process.

The inputs that participate in the conversion process play different roles. For example, there are

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Transformed Resources are the sources that participate in the process and are part of the product or service.

For example, when it comes to an industrial organization, there are materials that change their chemical and/or physical properties in the conversion process. For example, a foundry takes iron ore, coal, and/or scrap iron, and creates, for example, a frying pan or any other casting product from them.

Not only a manufacturing organization, but also a service organization, such as a bank, takes information and data that is transformed into reports. Even customers who receive, for example, a service, the customer goes through a processing process at a hair salon, and/or a medical service.

Transforming Resources are sources that act on the first type of sources, that is, on the processed inputs. In this area, for example, we find machines, equipment, workers. Finally, there are the enabling resources, which are sources that constitute a prerequisite for conversion activity, such as: knowledge, capital and technology.

The various conversion processes are characterized by different inputs and outputs, and take place in diverse operational systems. They can be characterized by the order of priorities between their various stages and the inputs required to realize them. Personal banking services can be an example of a representative operational process.

In a manufacturing plant, for example, the production process of a particular product or group of products using specific technology, work

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methods, a required technological order, the supply of materials, etc., is an example of another operational process.

In addition, a project to construct a building, or build a bridge, or develop a unique weapons system are examples of an operational process that is rich in activities, rich in interactions, and rich in time and resources - characterized by a high level of uncertainty and requiring close control.

The sales promotion process, the recruitment and placement process, and adult education services are also additional examples that illustrate the existence of operational processes in other areas.

In this case, examples of conversion processes from various fields can be presented. For example, processing materials by changing the properties of the material, such as coating, engraving, chemical reaction. Or changing the location of the materials, for example, transportation services. Also, changing the ownership of the materials, transferring from a manufacturer to a retail store.

Examples of information processing, as a conversion process. For example, processing data into information: accounting, financial statements and/or changing the cost of information: a market research company. As well as changing the location of information through all telecommunication systems, such as radio, television, satellite broadcasting, telephone, Internet.

Also for consumer processing, the conversion process must be located. For example, changing properties, a person gets a haircut, or dental treatment. Changing location through passenger transportation services

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and changing the place of accommodation, for example, hotels, guesthouses or restaurants.

The question is, how can the business model of a given organization be identified? And in general, is the business model of any organization identifiable by an outside observer?

In fact, the answer to this should relate to the ability to characterize the business model of a particular organization. By characterizing the classic components, it is possible to examine what that organization operates as a business model.

Alexander Osterwalder, at the time, presented what is known as the "canvas model". This model presents various components, which, by addressing these components of the model, may contribute to understanding the business model. As stated, this model consists of nine different components:

The value to the customer - here it is necessary to examine what value the organization offers to the customer, for what purpose the customer can use the organization. What problem or need the organization solves for the customer.

Who does the organization address - to which part of the customers does the organization address? This component essentially answers the question of who the organization's customer is. What is its target audience.

Distribution channel - here it is necessary to examine how the organization reaches its target audience. What are the ways it uses to connect with the organization's customer?

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Customer relationship – This is a very important component that many organizations stumble over. How does the organization maintain contact with its customers? How does the customer receive service, for example, the organization's customer service activities, feedback and troubleshooting.

Sources of income – This is a very important component that is a very important point for an economic organization and any other organization. How does the organization receive money, how does it earn and how do customers pay the organization.

Key resources – What are the organization's main resources, how are they expressed in a hierarchy of resources. Resources can be capital, land, technology, knowledge, machinery, equipment and human capital.

Key operations – This is where the conversion process in which the organization operates comes in. What does the organization do to create the value or outputs that constitute value for the organization's customer?

Key partnerships – With whom does the organization collaborate? Many organizations display the composition of their partnerships on their websites. This presentation is intended to enhance the prestige of the organization.

Cost structure – This is an important point that assesses the financial capacity of the organization. The composition of its costs is not always visible to all. However, when it comes to a public organization, the provisions of every law require the presentation of balance sheets and financial statements for all to see. When it comes to a private

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organization such as a limited company, there is a certain cost in order to receive a financial report from organizations that deal in the field of business information.

When analyzing different organizations according to Alexander Osterwalder's business canvas model, we are given a number of different organizations according to their characteristics and features according to their appearance in the model. Thus, we will actually obtain "business types" that are characterized according to the answers to each of the tests that the model offers.

For example, we can find a model of an organization that deals with "direct sales". This is an organization that sells products or services directly in all types of payment, cash, bank transfer and checks.

Along with this organization, we will find organizations that "sell" their product or service for free, but require payment for add-ons or additional equipment. For example, all sites that offer participants free games, but when the participant wants to upgrade his status, he is asked to pay.

Another organization offers a paid subscription model. Here we find, for example, all service providers such as entertainment and movie sites such as Netflix.

Another organization, for example, like Google, provides its services for free, but its income comes from advertisers and all those who wish to promote themselves in the module.

Another model of organization is the intermediary that matches the service provider with the service requester. Here we find various

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organizations that present a brokerage platform of any kind. When the brokerage fee may come from both sides, from the customer and/or only from the service or product provider.

Another type of brokerage platform, which deals with a slightly more complex model, is the trading arena model. This is a platform that connects buyers and sellers, such as Alibaba and other trading arenas.

In another case of another model that may also appear from analyzing the characteristics of the organization according to the canvas model, is the franchise model. In which an operator receives from the patent or product owner the option to operate. In such a case, we find, for example, management companies that operate assets or franchisees that operate activities under licensing.

It should be remembered that in terms of these possibilities, it is possible for an organization to meet one criterion but not another. Therefore, in fact, these are just general examples of the dozens of possibilities that can arise when analyzing organizations according to the Canvas model.

Basically, in order to understand how the business model works, the flow process of the model must be distinguished. That is, to describe the existing dynamics from the perspective of the model itself.

In order to understand this dynamic, it is necessary to see from the book important tests. The test of intention, the test of the verifier and the test of reality. For example, in the test of intention, we want to see what the founders intended, in relation to the value that the organization produces for the benefit of its customer.

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In relation to the effort, we can examine what the organization does to provide that value. Finally, in the test of the result, we must examine how the customer perceives or receives the value. Because in the end, what will be determined will not be what the organization intended and/or the effort it invested, but what the customer received.

For example, a person enters a restaurant, the payment process of that restaurant, let's say, works in a self-service manner. The customer stands in front of the counter, behind the counter is an employee of the organization, the customer orders and within a short time receives his order.

Now, the question will be how the customer pays for the value he received. There are several options here, the customer pays before receiving the value, the dish he ordered. The customer pays after receiving the value, or the customer pays after consuming, eating the dish he ordered.

If we connect the cost to the value of the dish for the customer, it would be possible here for a customer who is not satisfied, let's say because of the dish he ordered, to cause the model to be tough.

That is, the customer may argue with the person behind the counter, when the value of the dish, in this case the goodness, quality, taste should be compared with the price the customer pays. Therefore, the dynamics of value become essential in themselves.

Beyond that, we must ask what the added value is created. For example, in the example presented above, will the customer recommend this place to others. Or will that disappointed customer lead to a review of

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the place. Therefore, this dynamic can dictate how that organization grows, improves and/or does not improve its status among its target audience.

Any business model can be identified using several important tools. As mentioned above, we proposed the canvas model, which is usually used to present a more graphic and schematic description of the business model. However, there are other tools for identifying and characterizing the business model.

Another equally important tool is identifying and characterizing the business model using the SWOT technique. This technique consists of the English acronyms of four tests that the examiner conducts in order to identify and characterize what he wants to identify and characterize.

He does this by examining the strengths (S) of what he is looking to analyze. In our case, the business model that is under the "research microscope". He examines the weaknesses (W) of the model.

At the same time, he examines the opportunities (O) and the threats (T) that the business model has. When the examiner sees these four examination variables, he can evaluate the model in front of him and examine whether it is a model that may work well or not.

Another method of examination refers to "Porter's Five Forces." This is another model developed by Porter as a response to the SWOT model, which Porter claims does not take the business environment into account in the analysis.

According to Porter's model, the state of competition that exists in a particular industry sector ultimately affects the ability of an organization

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to compete in the sector. According to him, there are five forces by which this state of competition is determined, and these areas are supposed to shape the organization's business strategy.

Hence, the combination of these five forces together is what determines the potential profitability level of that industry sector, and hence its attractiveness.

These five forces are divided into the forces that cause the organization's internal competition. In this case, the organization's suppliers and customers. In addition, there are external competitive forces such as new and existing competitors, as well as substitute products on the market.

As mentioned, these five forces essentially create the organization's ability to compete in a given competitive market. Of course, this is a very complex model and does not take into account the many variables that create the organization's problematic coping.

For example, there are barriers that may hinder the organization, and in the face of those barriers, the organization must present alternatives. But sometimes barriers, such as bureaucratic or regulatory barriers, that also hinder competitors, may be an advantage for a particular competitor.

In conclusion, Porter's five forces model is a more complex model, through which it is possible to examine whether the business model of a particular organization is indeed coping well or not coping well in the environmental competition of a particular industry.

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In principle, it should be remembered that the business model is not a business plan or a financial forecast. Rather, it is a tool that explains how the organization addresses its customer and directs the relationship between the parties.

The business model, therefore, constitutes a kind of strategic basis that explains how the organization operates in order to survive in a system in which all organizations seek to create an economic advantage for themselves. Hence, understanding the business model of a given organization is important for the variety of participants in this system.

The business model is very important for entrepreneurs who seek to assess their chances against the risks they take. This model is also important for investors looking to make a profit. It is also important for managers who seek to assess their performance and respond to what is happening in the market.

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Chapter Three

Sometimes, a startup is seen as an enterprise, a project, but in light of the above, it is a startup, as a term that explains the organizational existence of an enterprise that is in its early stages. In order to understand what things are meant, one must try to distinguish between the different terms.

First, the most significant term, a term that is usually indicated when referring to the set of actions necessary to achieve any business result – work.

Work is defined as an action, usually from a routine, which continues over a certain period of time. It has a beginning, but it is not always possible to indicate its end time. The work may be paid for by the performers and may be organized within an organizational framework.

Usually, work has a specific goal that is not always known to those who perform it. Work is characterized by cyclical, meaning that it has a rhythm with frequency and can repeat itself. For example, a worker works in front of a press on the production line and performs the same actions throughout his working day. The next day when that worker arrives at work, he will continue to sit in front of the same press and perform the same work, over and over again.

From here, the additional characteristic of work grows, the work is usually carried out in an existing physical structure. That structure has clear lines and is coordinated to perform that work. For example, a car

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garage, is located in a building that will accommodate cars, with machinery and equipment that helps the workers perform their work.

This leads us to the additional characteristic of work, the work is made up of the performance of predefined tasks. Each worker is skilled and trained to perform the task assigned to him. Which leads to the performance of operational tasks that are usually ongoing.

For example, in the same garage in question, there will be officials who will carry out the ongoing activity. For example, the garage manager examines the vehicle and determines what the faults are, he passes instructions to the mechanic, who performs the work. At the end of it, the garage manager examines the mechanic's work and releases the vehicle, as a working vehicle.

This leads us to the next characteristic of work, it should not involve entrepreneurial risk. That is, the work does not try to achieve beyond what is predetermined in the executive plan. For example, there is no need to take any financial risk, the employee performs the tasks from a fixed perspective.

In the field of work, there are professional terms relevant to their understanding. As we saw earlier, for example, area of responsibility. The employee performs a set of tasks that are within the scope of his job definition. He is only obligated to perform those tasks that are within his area of responsibility. He should not take responsibility beyond that.

Work is measured by a number of performance indicators. Usually operational performance indicators that can be quantified and measured. The purpose of the indicators is to obtain an assessment of

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whether the work meets the mission conditions to which the work is committed.

Among other operational control indicators, for example, are accuracy in work, productivity, adherence to schedule, quality and quality of performance, cost and service. This is directed at the functional hierarchy that exists in the workplace. There is an organized reporting network, in which there is communication according to the needs of performance.

For example, the manager gives instructions to the employee, the employee reports to the manager on progress, on difficulties. The employee translates the communication along the hierarchical path and/or horizontally to the other employees who are on the same hierarchical level with him.

That is, there is a clear division of authority, usually functional authority, which comes by virtue of the role performed by the person with authority.

Also, as we have seen, for example, in the previous examples, the work is sometimes mixed with a certain level of mechanization and automation and is subject to examination and criticism, but also to the delegation of authority.

Although, this is not an exclusive characteristic of the work, there are managerial emphases that must be taken into account in the work. For example, operational management is required in the work. This is, the use of a schedule, the existence of a certain form of discipline, especially

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in light of the required hierarchy. Also, as suggested earlier, there is control of the execution and control of the quality of the execution.

At work, as we have seen, there is no expectation of entrepreneurship and therefore no expectation of innovation. On the contrary, any proposal that could lead to innovation at work may be met with a certain "hostility". This is because innovation constitutes a "break in routine" which may lead to a lack of discipline, which in itself can cause confusion and poor performance.

Although there is an expectation of efficiency at work, which inevitably leads to examining the outputs of work in a critical and measurable way.

A venture or project is usually conceived as a set of actions that is sometimes one-time, but not permanently, but unlike work, a venture is limited in time. That is, unlike work which can be cyclical, a venture has an end date.

Although work also has a goal, a venture has the intention of achieving a specific goal in the venture's field of activity. For example, the construction of a building or the paving of a road, would be classified under the heading of a venture and not under the heading of work.

The reason for such classification lies mainly in two main variables: The first variable, the product did not exist before the start of the project. The second variable, the project is limited in time, and therefore it classifies any work that is limited in time as a project.

The usual characteristics of a project begin with the definition itself. That is, since the start and end of the project are predefined, the work

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becomes a project. A project usually has a unique goal compared to work whose goals are general and cumulative.

If we take the road paving project for example, the goal of the project is to pave, for example, a section of road from one point to another. When various resources, capital, tools and manpower will be allocated for the purpose of execution. At the end of execution, for example, the manpower and tools will be directed to execute another project.

Hence, the next characteristic of a project usually refers to more complex management requirements. For example, the need to meet a schedule requires coordination, communication, and supervision that are different from those in the case of work.

Beyond the need to meet the schedule, the project requires more precise budget planning, in order to meet the tasks. If we take the road paving project again, the client is not the contractor.

In such a case, the contractor gives credit to the client until the work is completed, and/or subject to the progress of the work. Which requires precise financial planning. This is because customer time, that is, the credit that the contractor gives to its customer, is different from supplier time, the credit that the contractor receives from its suppliers. Especially the employees who expect to receive their wages, not subject to the payment terms that the client has set.

The next characteristic derived from this is the use of personnel that varies depending on the nature of the project. In the case of paving a road, for example, personnel trained in performing the tasks necessary for paving the road must be used.

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On the other hand, if the same company that paved the road also carries out a bridge construction project, the company will have to use professionals other than those who are experts in paving roads.

This characteristic may also determine the quality of the execution. When the company that executes the project specializes in performing certain works, the company can guarantee quality, better than a company that employs only general workers.

Therefore, projects may involve a certain level of uncertainty. For example, in a road paving project, problems related to soil quality, resource migration and/or weather problems, etc. may arise. Which may cause damage, delays and other problems in connection with the execution of the project.

In fact, it can be assumed that a project is a one-time structured effort aimed at implementing a planned goal. A project has a budget and execution time that are allocated in advance and defined. Where a project differs from a job in that the project is unique and not repetitive like the job.

As mentioned, there are terms generally related to project management, which is itself a unique profession that must be considered. As mentioned, project management differs from project management in the same criteria that a project differs from a job.

Therefore, a project contains a management body, a coordination team or a steering committee, sometimes there is a project manager on behalf of the client who works with the project manager on behalf of the

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executing company. Therefore, a project has time management with a schedule chart (Gantt) for planning the stages of the project.

Usually, a project is divided into tasks or sub-goals, this stems mainly from the need for supervision by the client and, on the other hand, the need to receive interim financing to finance the project expenses until the agreed stage.

Therefore, in a project, there is a significant need to present interim achievements on which the operator is tested in relation to compliance with the quality, schedule and optimal execution of the work. The client, for his part, allocates the budget at these stages that helps the operator finance the work.

This forces management emphases such as matrix management, which deals with sharing resources with other units subject to the timing of the need for those resources. As suggested above, a state of uncertainty during execution requires risk management.

In addition, the need for coordination and multidisciplinary management requires constant and ongoing communication between all stakeholders related to the project, both on the part of the client and the operator. As it turns out, the client is not always the operator. This usually stems from the project being a unique operation that is not part of the "regular" work of the client.

For example, a bank that wants to open a new branch in a certain city. After all, the bank does not have a construction company, or architects, or designers, or all the professionals required to build the branch. From

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here the bank will use a company that may provide it with a solution for this need.

Especially when there are variables in this matter that are not fixed, for example, the pace of progress of the execution. When sometimes the pace of execution is fast and sometimes the pace is slower. Everything is subject to the conditions of the area and other variables that may have an impact.

When referring to a startup, we are mainly talking about a new business initiative that may usually involve new technology or any kind of conceptual innovation. As mentioned, the startup operates in a permanent state of economic uncertainty, since it is usually a new business model that has not yet been tried and therefore may also fail.

As we saw earlier, the goal of the startup's business model is the need or ability to rationalize it and cause rapid growth.

Hence, the main characteristics of the startup refer to the innovation of the product or service or the innovation of the relevant business model. As suggested earlier, economic uncertainty is also a main characteristic of the startup. It is a creative agent of searching for a mechanism that will cause rapid growth.

Since the startup is characterized by searching for options, it will depend on external financing. Thus, a serious characteristic of the startup is its dependence on raising capital and external investments. Investors will agree to take the risk because they believe or understand that the startup has the potential for rapid growth, which will bring them decent profits from the investment.

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A characteristic derived from this is that at the beginning of its journey, the startup is not profitable and does not bring in any interim income.

If we can present the differences between these three terms, we will get the following differences

Goal – in work, the goal is ongoing execution, in a venture the goal will be to achieve a predefined goal, while in a startup the goal will be the desire to discover a new idea that will lead to rapid growth.

Duration – the work is ongoing and never ending. In contrast, the venture has a predefined duration and is therefore limited in time. The duration of the startup is more open and can continue subject to finding the trigger that will lead to the development of the startup.

Uncertainty – in work, the state of uncertainty is extremely low, everything is predictable and obvious and even absolutely routine. In contrast, in a venture, there may be moderate uncertainty, mainly as a result of surprises that do not depend solely on the operation of the venture. For example, surprises from the weather, political and diplomatic situation, etc. In a startup, on the other hand, uncertainty is very high and is an inseparable part of what is implied by the very nature of the startup.

Innovation – In work, as mentioned, everything is routine and managed according to the same procedures and instructions that are current, subject to the nature of the work and the type of management. In contrast, in a venture, innovation is possible especially when it comes to an engineering venture and/or another type that requires thinking "outside the box". In a startup, as mentioned, innovation is the motif that

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accompanies the startup. That is, from the beginning, the startup came to offer something innovative.

Structure and management – In work, the structure of the organization is usually hierarchical, there is an organizational structure subject to a given grouping basis. For example, the grouping basis of roles, marketing department, finance, etc. Hence, the management method will be mainly operational, with its goal being the implementation of organizational goals subject to the organization's tasks. In a venture, the organizational structure should be matrix-based due to the need to coordinate between the various units, some of which may participate at different levels of the venture. The structure may also be temporary, which was put together only for the purpose of the venture. Furthermore, the form of management of the venture is also usually built in a way that will meet the expectations of the stakeholders, for example, the client and/or customer of the venture. In relation to a startup, the organizational structure is usually flat. That is, all participants may stand on the same footing, due to the need to provide a response beyond the ongoing response that a hierarchical organizational structure can provide. Hence, the organizational structure can be dynamic, fluid and flexible, subject to the conditions of the field and the need that arises from the startup's requirements. The type of management may also be more experimental, because the goals of the startup are not always anchored in some file of operating instructions or rigid work procedures.

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Dependence on investors – The entire work is managed routinely, and therefore the dependence on investors is usually low, if it exists at all. The work's cash flow is clear and known and can be planned and monitored relatively easily. In cases of need, the organization can request loans and interim financing in advance, while presenting options for repayments at a given time. With regard to the project, depending on the type of project, the dependence on investors can be seen. Usually, the project is presented in advance with a given budget that is approved in advance and structured in relation to the stages of progress of the project itself. However, sometimes additional investments are needed, as mentioned, depending on the type of project itself. On the other hand, a startup has a high dependence on investors. Without investments that sometimes go to waste, the startup cannot develop. The amount of investment is sometimes heavy, and only the promise of rapid growth may allow investors to participate in it.

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Chapter Four

According to data published from time to time, it appears that the place of the startup is increasingly increasing in the world's economic market. As we learned earlier, a startup is an organizational state, and therefore a significant portion of economic initiatives begin as a startup.

The important variable that can be seen even with the naked eye is that all of these economic initiatives are trying to provide a response to a need that exists in the market. Whether it is a real need, or a virtual need. A need that customers recognize and/or a need that customers have not yet realized they need.

At the same time, global data shows that approximately ninety percent of startups in the world fail. In other words, only about ten percent are likely to reach financial profitability and/or the founders reach an exit, in which they pass the "torch" to others for a considerable sum.

Furthermore, it was found that only one percent of all startups that have started can succeed in a big way and become companies worth billions of dollars. These companies, known as unicorns, are a rare phenomenon in the global startup landscape.

If we divide the failure rates of startups by their years of existence, we find that in the first year of their life, about twenty percent fail. Within the first three years, we find that fifty percent of them fail.

Within the first five years, the percentage of startups that fail increases to seventy percent, while within the first ten years of a startup's life, about ninety percent of them fail. The conclusion would be that startups

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that survive the first decade of their lives have a reasonable chance of being successful.

The question arises as to why most startups fail? The answers to this are certainly varied, but the reasons for failure can nevertheless be framed into seven main reasons. The number one reason for almost forty-five percent of startups that fail is that the market does not need what that startup offered.

When there is no market need for a particular product, the chance that that product will fail is extremely high. As is known, during the year, many new products are tried to enter the market. However, at the end of the year, a very small portion of these products can register success. The important reason would be that the market did not find a need for the product that was offered.

This problem, of the need for the product in the market, must always turn on a "red light" for every inventor, who sometimes, out of enthusiasm for what he discovered or found, projects his enthusiasm onto the behavior of the market. The end result will be, the market does not really go out of its way to adopt the product he proposed, and the product fails.

Along with the problem that a startup acted on something that is not needed, another seventeen percent of failures are related to the problem of a bad product. This means that almost sixty percent of all startups fail due to a problem with the product.

In fact, from this we can learn that the product must fulfill a need for the public and on the other hand it must be a good product, in order for the

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startup to succeed. Otherwise, there is not much chance of success for that startup.

Another reason, which accounts for almost thirty percent of failed startups, is the lack of cash flow to continue working. When the money runs out, the startup cannot continue operating. A significant part of the problem is not just that the money runs out, but that it begins in the first place with insufficient fundraising.

Another possibility that leads to the cessation of cash flow is the choice of investors who do not have enough patience to wait until the project is successful. It is possible that these investors, for their own reasons, decided to invest in the startup without knowing the real period necessary to allow it to succeed.

On the other hand, it is possible that along the way the investments that were planned at a certain level were not enough and they were forced to redirect funds from one item to another in order to enable the startup to continue. However, it is possible that the budget planning was not proper, which led to excessive use of funds without meeting the various tasks.

Ultimately, the bottom line for the startup will be that the flow of funds is stopped and the startup cannot continue to exist. Which leads to the closure of the initiative and the dispersal of the team.

When talking about investments, there are usually two types of investments. Investments that go to waste and investments that can be saved. Investments that go to waste are those investments that have no possibility of being returned at all.

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For example, when opening an office, let's say that the entrepreneurs invested in renovating the building, purchasing equipment, and advertising. The investment in equipment will be salvageable, since if the office fails, it will be possible to sell the equipment and recover part of the expense. However, investment in renovation and advertising will be an investment that goes to waste, since there is no possibility of returning even a small part of this investment.

Here too, it must be assumed that if the startup has reached some point that can be saved, in the form of selling what they have done to a third party. It will be possible to return part of the investment. However, if that startup did not achieve any significant point, then all the investments were wasted and there is no possibility of recovering even a small portion of them.

More than twenty-three percent of startups failed because of the team. That is, the team that launched the startup was not the right team. Here too, there may be a variety of reasons. From the lack of professionalism of the team in the field of development of the startup to social problems that lead to hostility and a murky atmosphere.

Hence, the attitude is of utmost importance when choosing partners for the development of the startup. When there is a reasonable chance that people do not get along. Therefore, it is necessary to know who the people participating in the project are. It is necessary to identify people who are affected by everything, those who behave like drama queens in every situation, or people who are used to complaining in every situation. Furthermore, the composition of the people who come

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together should be matched to the same niche in this goal. It is necessary to understand the psychology that motivates each of them. It is necessary to know what the weaknesses and strengths of the team are and how they can be led to the goal.

The next three reasons that cause a startup to fail are more structural reasons that do not all depend subjectively on what is happening in that startup. The next big reason that thwarts nineteen percent of startup initiatives is tough competition from the start.

When that startup tries to penetrate a very competitive market, which offers existing and substitute products, it will be difficult for that startup to lead to success. In order to succeed in a tough competitive market, significant knowledge of consumer behavior is necessary. Without understanding customers, it is impossible to succeed in such a competitive market.

For example, if the market is based on cheap prices, or large quantities or even on the quality of products, competitors must provide solutions to each of the behavioral perceptions that the market expresses. That is, if, for example, the market is looking for a low price for a product, it is impossible to introduce expensive products into such a market.

The next reason for the failure of the startup depends on the business model of that startup. Sometimes when the business model is not clear, it is not possible to maximize the desired income. When customers do not understand what is “required” of them, they cannot participate in the action.

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We have already suggested several types of common business models. Within the meaning of those business models, there may be different variations and combinations. It is possible that when the startup operators offer a complicated or incomprehensible or confusing model, the startup’s chances of success decrease.

The final reason that explains fourteen percent of startup failures is weak marketing. The problem of weak marketing is perfectly clear. When the startup's marketing model is not consistent with either consumer behavior or the demographic variables, for example, of the target audience, it will be difficult to penetrate consumer protection.

When marketing is inappropriate, it can sometimes lead to significant failures. We can offer here as an example the consideration that was later discovered to be wrong by the company that marketed "Budweiser" beer. When the company tried to include a certain population in its marketing campaign, it caused antagonism from its traditional target audience.

The company's traditional target audience abandoned the company and its products, so the company was unable to market or even give away its products for free. Which caused a significant financial loss for this company.

What happened to a successful company that controlled almost seventy percent of the beer market was that it lost its lead to other companies that entered the niche that the company lost. Therefore, proper marketing constitutes success, while failure in marketing may lead to the failure of the entire venture.

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What characterizes successful startups? First and foremost, an accurate and genuine response to customer needs. This is not only a characteristic of a successful startup, but a characteristic of every successful business. Once the business succeeds in meeting the customer's needs, the business is likely to succeed.

What is the customer looking for? The customer will usually prefer those organizations that provide them with their needs. When organizations do not provide them with their needs and/or do not meet the standard they are asking for, these organizations will fail.

Therefore, it is no surprise that a startup that provides its customers' needs will succeed and develop well. On the other hand, failure to provide what the customer is looking for will inevitably lead to the failure of the startup.

Along with a product that suits the customer, it should be noted that the team's ability to provide a real solution to the range of problems that arise and arise while carrying out the startup is another characteristic of its success.

That is, when a startup has a diverse, talented, resourceful and capable team, the startup may succeed. This is exactly the opposite of what was presented earlier, when we saw how the negative contribution of a team may lead to the failure of the startup.

In fact, in the same sense, the ability to raise capital should be seen as a variable that may contribute to the success of the startup. As we saw earlier that when the flow of funds, for any reason, is stopped, the

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startup "drys up" and fails. Therefore, a reverse situation in which there is a constant flow of funds leads to the success of the startup.

Just as before, when structural rigidity and its incompatibility with the changing system of reality may lead to failure, so adaptation and flexibility may lead to success. When usually trying to prepare a recovery plan for any organization, there are basically three points that every recovery plan emphasizes.

The first important point is to reduce unnecessary expenses. In professional language, this is called "stopping the bleeding." The analogy here is clear, when there is bleeding, the body weakens. Therefore, when there are unnecessary expenses in an organization, expenses not committed to reality, the organization weakens.

Therefore, the first thing to do is to locate the places from which the organization is "bleeding" and stop the "bleeding." That is, to stop spending unnecessary money that does not contribute to the benefit of the organization.

The second point is easy to express but very difficult to implement, which is to increase revenues. This is an almost trivial point that every organization seeks to implement. However, as mentioned, it is a very difficult point that sometimes costs a lot of money than it brings in.

This is true, as stated, when, for example, a marketing plan is implemented to increase revenue, but in the meantime, until the revenue is increased, the plan is spending money.

However, the most important point, and it is related to the success of any venture, startup or organization, is adapting the organizational

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structure to reality. Sometimes, it happens that in the historical course of the organization, the organizational structure with which the organization began its life is no longer suitable for reality. Therefore, it is very important to define the goals of the organization, correctly define the basis of the grouping and, above all, to staff the roles with the right team members.

If this is true for any recovery plan, it is doubly true when it comes to the success of the startup. A proper organizational structure inevitably leads to accurate execution. The impact of organizational structure on execution is clear, and therefore, accurate execution leads to the success of the startup.

All of this is true because, in fact, the bottom line is that startups are basically an innovative move and hence can be a risky move. When the chance of success is fragile compared to the risk of losing is great. Therefore, a deep understanding of the market, of customer needs, with excellent performance capacity of a trained and talented team, while constantly injecting funds, is necessary. All of this, with the addition of luck, may lead to the success of the startup.

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Chapter Five

We have seen how in general a startup should be distinguished from a venture, we have learned how a startup can fail, we must now distinguish how a venture can actually be transformed into a startup.

Before that, we must distinguish an important variable that ultimately dictates our reality. In fact, today most of the world's economies operate in the format of an oligopoly market. This is a market that differs from a monopolistic market or a free market, subject to supervision and regulation by the various governments.

The term oligopoly suggests that a certain product has several manufacturers licensed to sell it. This method comes in order to prevent monopolies on the one hand. However, on the other hand, it also prevents the free market.

Thus, in order for those few manufacturers or suppliers to not form a cartel, the state exercises supervision or regulation over those manufacturers. However, in the end, the result does not help the consumer, who only receives the benefit of price differences.

On the other hand, this method mainly causes state intervention in what is happening in the economy, which reduces the degree of economic freedom in that economy. True, there are products, for example in the field of weapons, that must be monitored, but when you limit, for example, the number of service providers such as telephony, to a small number of suppliers, the market does not become free.

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Since the government is involved both through regulation and/or through planning, this creates a kind of government participation in what is happening in many areas. For example, in all socio-economic activities, the government is sometimes the sole address for implementation.

Thus, one of the government's implementation methods is to receive proposals and/or detailed plans in various areas from the public. Receiving these proposals, for example, promotes government activity that is "thirsty" for activity.

This fact exists because government ministries operate according to a budget. There is some competition that the larger the budget the ministry receives, the more important it will be. Therefore, when a government ministry initiates or funds fewer activities, a situation may arise in which its budget will be reduced in the next budget year.

Therefore, the various government ministries will prefer to fund various programs in each field, the main thing being that their results will look good in the media, when the minister comes to "cut the ribbon". Therefore, this method, which is used in almost every oligopolistic economic framework, ultimately presents a market that can absorb almost any initiative.

This introduction is important to distinguish the most important variable that ultimately turns a venture into a startup. This variable will ultimately enhance the outcome of that startup or, alternatively, will fail the startup.

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The combination of this introduction within this structure may raise a kind of problem when entrepreneurs may confuse the need that a government office has to present ventures to the public, and the real need that the public has, a need that is the most important variable for the success of the startup.

Therefore, a venture becomes a startup when there is a real problem in the market. That is, the venture can or may solve a real problem or need that exists for a specific target audience. This is not a "political illusion", which comes from the need of a government office to spend money to strengthen its budgetary position in the government, but rather a real problem that exists.

How do you distinguish between a real problem and a simulated problem? How do you find out if there is a real need in the market? After all, one of the problems here will be to identify between a real need and a simulated need.

There are several ways to identify a need. The first way is the entrepreneur's own experience. That is, the entrepreneur himself encounters a problem and tries to solve it. However, sometimes, that entrepreneur does not receive an answer to the problem he encountered, and then he decides to take on the challenge to solve the problem.

From the solution he is looking for, he may prepare a plan and/or outline courses of action and try to implement things on the assumption, at least temporarily, that the problem he encountered may be a public problem and therefore his venture may succeed.

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In order to firmly anchor things, the second way to identify a need comes to the rescue. According to this method, a needs survey must be conducted among a specific target audience. This survey may uncover various problems that may indicate needs that that audience has.

However, it is not always possible to conduct a survey physically. Therefore, in such cases, a literature review can be conducted while analyzing the content of things published on the relevant topic. This content analysis may enhance the components of the problem, indicate a need that is not being satisfied, and present the currently existing ways. From this, the entrepreneur can assess what else can be done to solve the problems.

After it is found that there is a real need, the next stage of turning an initiative into a startup will be an examination of the growth potential. That is, in the case of a solution to a given need, it is necessary to examine to what extent this need is shared by the relevant target audience. Also, whether the solution can be replicated and distributed on a scale beyond the initial target audience.

For example, an entrepreneur encountered the problem of waiting too long at a restaurant to receive the dish. That entrepreneur decided that it was possible to offer the general public a fixed dish, of a given size at a given price without waiting more than two minutes from the moment of ordering until receiving the dish.

The same entrepreneur went through the types of food that are commonly ordered in various restaurants and found that the most

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ordered dish would be a meatball and fried potatoes. He decided to open a restaurant where he would serve a meatball with fried potatoes.

Therefore, he experimented and found that he could first fry the potatoes, freeze them when they were already half-fried, and then before serving, he could keep them in a constantly heated container. This way, those half-fried potatoes would continue to cook until they were served hot to the customer.

The same entrepreneur discovered that in Japan it is customary to cook meat on a metal surface. He adopted the idea and found that he could serve the meatball with a dish of fried potatoes in two minutes from the time the order was placed until the dish was delivered to the customer.

Of course, what was described above presents a fast food restaurant that usually serves a meatball in a bun, a dish of fried potatoes, and a fizzy drink. A fashion that began in the United States in the early 1950s and spread throughout the world.

Now, we are beginning to understand how a need could be replicated, when the business model built around the same idea is what makes the difference between a single fast food restaurant and a fast food chain that is distributed throughout the world.

The business model, for example, essentially explains the significant idea of that startup. If we return for a moment to that fast food restaurant, we will learn, for example, that the entrepreneur who ultimately established a chain of such restaurants insisted on a special standard of performance. That is, he maintained at least two variables - one a reasonable price and the other high quality. Thus, the public could

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identify with the content, which led that entrepreneur to turn his single restaurant into a chain of restaurants that adheres to the same performance standards that led the entrepreneur from a single restaurant to a developed chain of restaurants identical in nature all over the world.

Thus, although at the beginning, there was uncertainty about both the path that the entrepreneur took and the success of the concept, through trial and error, he was ultimately able to direct the concept to a winning concept that could lead to real economic success.

Thus, the entrepreneur caused his venture to continue to be replicated and over the years since he began his journey in that initial restaurant, he managed to develop an extensive network of restaurants with franchisees who finance the entire operation for the benefit of the customer base.

We have indeed presented an example that is ultimately based on a real event. But there is, for example, the possibility that a student in a certain class builds an application that will help him organize the class's annual trip.

That application was transferred to other classes, to other schools and to another district, and eventually all high schools in that country use this application to organize the annual trip, graduation party and even a prom.

Meanwhile, advertisers who found interest in this application approached the entrepreneur and asked him to insert their paid advertisements. That student turned the class project into a significant

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source of income. This is how a private project becomes a startup that may even lead to financial success. There are also examples from the real world. For example, Facebook, which started as a project of a few university students, became one of the projects that bring in a lot of money for the founders. Similarly, Waze, which started as a neighborhood project that sought to warn users about traffic jams, is becoming a global startup.

When looking to start a startup, remember how two large startups began as small, successful local projects. Therefore, it is preferable to start with a project that works well on a small scale.

When that small, local project begins to succeed, ask whether it can be turned into a product that will serve a wider audience. Only then will there be an opportunity to turn the small, local project that succeeded into a successful international project.

Always remember the number of weaknesses that exist in every startup. In fact, no startup is free from these weaknesses. Therefore, when you know the weaknesses of the project, you can address them and even overcome them.

Just understanding these weaknesses is in itself a critical step for entrepreneurs who want to survive, improve, and attract investments. In other words, self-criticism, which improves the project's ability to survive, because entrepreneurs do not "sweep" the problems "under the rug," but deal with them "head-on."

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The first weak point that every startup has is the degree of uncertainty. First, it starts with the problem that there is actually no certainty that the market needs the same product that the startups are addressing.

First and foremost, you need to make sure what the need really is and which solution from the variety of solutions the market can practically accept. In particular, you need to study the consumer behavior of each target audience for which the proposed solution is intended.

On the other hand, uncertainty is also present on the other side of the previous dilemma. Assuming that this is indeed the solution that the market will adopt, is it possible to predict whether this idea will catch on quickly, in accordance with the growth assumptions of the venture.

The issue of uncertainty is a broad issue and is the significant consideration that may advance or reject investors in a startup. Therefore, one must prepare one's "homework" well and not rely only on "gut feeling" or "heart's desires".

Especially when it is known that every entrepreneur, inventor or developer of a product feels enthusiasm and may believe that his enthusiasm is "contagious". Thus, the whole "world" will adopt his product. It must be remembered that reality does not always operate according to the rules we want it to operate.

Another weakness that startups suffer from is limited resources. First of all, the startup depends first and foremost on its ability to raise capital.

When cash flow is limited from the start, it is very difficult to promote the startup.

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Therefore, the expense system should always be planned in a more modest way, which will allow for patience, in order to continue trying to harness more and more investors to the cart.

Limited resources also refer to the human resources recruited and committed to the development of the startup. Again, mainly due to limited financial resources, the number of employees is usually limited. It is impossible to hire too many employees. Therefore, a few employees perform many more roles.

This issue may affect the management method and the ability to direct employees for the benefit of the general good. In such a case, the motivation of employees must be constantly cultivated so that they continue to work and function in tasks that are not always suitable for them. Nevertheless, be optimistic for the sake of future success.

Another limited resource that a startup may suffer from is time. Both due to the relatively low financial funding and the competition that may prevail in the market, a startup has limited time. Therefore, it is necessary to act quickly in order to achieve a breakthrough before the money runs out and/or the competitors come up with a solution.

An unproven business model is itself another weak point that a startup may suffer from. It should be remembered that many startups begin their work without knowing in advance exactly how they will make money.

Furthermore, when you do not fully understand consumer behavior in the intended market segment, you do not actually know what customers are willing to pay for and what they are not willing to pay for.

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This issue of understanding the source of the startup's income and what the customer can be charged for is the great success of global startup ventures. When a person receives a completely free platform and yet the platform generates billions of dollars each year, this is the great strength of that startup.

When you think more "traditionally", I sell a product and the customer pays, this cannot always work when it comes to the desire to introduce a new need into the market. It is conceivable that if Google had required every user to pay a usage fee in advance, it is doubtful that it would have reached the dimensions it is in today.

This hypothesis could be true for many products today, which if they were not given away for free, could not become a necessity. Such a tactic of "tasting" is not new at all. Every manufacturer, supplier and/or marketer uses this method. For example, when they let the public visiting a supermarket taste the new chocolate that is trying to penetrate the market.

Consumers who have tasted the new chocolate may be better convinced to consume this chocolate. Without the tasting, it is very doubtful that consumers would have tried to purchase the expensive chocolate.

However, unlike the tasting technique, the method used by the media giants was to attract users in order to make those who need the audience pay for exposure. The users in this case, never pay anything. However, those who need exposure pay for exposure to those users.

This business model proved that it did know what customers were willing to pay for and what they were not. It also knew how to identify

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who its customers were versus who were the ones who attracted the paying customers.

Another weak point is again expressed in the startup team. Especially the dependence on specific people from the team. In fact, due to various limitations such as budget and time, even the startup does not have the infrastructure to recruit and absorb key players in the project. For example, if the founder or main entrepreneur leaves, it is assumed that the entire operation collapses.

Another weak point will be the competition of that startup against established companies that sometimes market products that the startup is trying to change. Also, those giant companies can copy the idea in a short time, recruit the right professionals and thus crush the entire startup initiative.

These giant companies have an advantage of size, they do not have a problem with resources of all kinds and they can control the market. Even if they lose a lot of money, this loss will not bring them down. Therefore, they may invest considerable resources.

The following weak points are usually implied as criticism of the efforts that the startup makes to succeed. First, the development of features or technology that no one needs and/or wants. This is mainly due to a lack of attention to the needs of the market.

We presented elsewhere the problem that various developers have, mainly in the field of programming. There are two variables of every system in almost every field. Aesthetics versus functionality.

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Usually, developers choose aesthetics. They want things to look beautiful, fancy, etc. But the user is usually looking for the operation, the function of the system, not how it looks. Therefore, such a weak point may cause at least some antagonism among a certain target audience.

The latter issue sometimes also affects marketing. However, even when there is sometimes a good product, this product may not survive if the product does not manage to "sell itself". In other words, people enhance the product's ability to continue to be sold. A kind of rumors that increase sales.

Various marketing problems, such as unavailability of the product, absence from the right markets, addressing the wrong target audience, and more. They also constitute a weak point. At the same time, a weak point that intensifies the problem will be improper management, lack of managerial experience. Decision-making, without the right process or making wrong decisions and especially a lack of basic understanding of management.

This essentially shows that a startup does not fail because of a bad idea, or more accurately does not fail only when the idea is bad, but it also fails when the idea is good but the execution is poor, inaccurate and confused.

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Chapter Six

First, the term organization should be addressed. An organization always refers to a group of people who have common goals and act in a predetermined order to achieve these goals.

An organization always refers to a group of people. An organization exists as a result of cooperation (dependent on communication) among its members. An organization always has a predetermined goal and all members of the organization are willing to contribute to achieving the goal.

What usually characterizes organizations is a high level of artificiality - an organization is created by a person. A high level of purposefulness, the organization has a goal, a high level of construction, the organization has a structure and/or form. There is a strong dependence on external factors, the organization receives power only from the outside and finally the organization has clear boundaries, hierarchy, institutionalization, specialization and a given organizational structure.

One of the important goals that every organization has is survival. Therefore, the common goal of all organizations is to survive. That is, maintaining the continuity of existence while wanting to pass on the legacy to the next generation. But between the different organizations there are differences between their various goals. For example, the goal of an economic organization is to reach maximum output with minimum inputs. In contrast, a "non-profit organization" will strive for other things. An equally important goal for organizations is efficiency. The efficiency of

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the organization is a goal in itself that is also related to its survival. An inefficient organization wastes a lot of resources called inputs and generates fewer resources called outputs. As a result, an organization does not survive when income is lower than expenditure.

As mentioned, efficiency is the ratio between investment and income. Between the inputs, what the organization invests, for example, and the outputs, what it receives in return. When presenting this ratio, simply divide the outputs by the inputs.

When the result is less than 1, then the organization is inefficient, meaning it spends much more than it brings in. Even when the result is 1, the organization is inefficient, in this case it brings in exactly what it spends, and this is called a waste of time.

Only when the result is greater than 1 can this be considered efficiency. Here too, there will be different degrees of efficiency. If a certain operation gives, for example, a result of 1.5, this means that for every one unit of investment, inputs, you receive 1.5 units of product, outputs.

From here, we can also compare the different operations of the organization. For example, one operation gives us 1.5 and another operation gives a result of, say, 3. In this case, the operation that gives 3 is more efficient because in this case for every one unit of input we received 3 units of output. This is much better than the previous case, where a unit of input yields only 1.5 units of output.

As we know, every organization has a structure, also known as an organizational structure. The structure of the organization must have some kind of "logic". An organizational structure can be determined, for

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example, on the basis of specialization, the division of the organization's tasks into sub-tasks. Instead of the work being done by one person, it is divided into several stages that are performed by different people. Thus, every organizational structure has a division based on grouping. Grouping is the same characteristic that regulates the organizational structure.

There are actually several options for grouping. For example, grouping based on functionality. For example, a finance department, marketing, human resources, production, development, etc. These units are divided according to the role they perform.

Another type of grouping would be grouping based on products. Each unit, for example, produces or represents a specific product. Or, for example, grouping based on geography. Or grouping based on processes. Grouping based on customers and grouping based on expertise. These are different types of grouping the various departments in the organization according to their performance characteristics.

As mentioned, the organization is managed by its various managers. The specific organizational structure of the organization channels the type of control that the organization's managers have over its various units. The control rods define the number of subordinates that a given manager has in a given role. The control rods also outline the organization's hierarchy. The central argument is that the more complex the organization, the more short chains of control are needed - that is, one manager has fewer direct subordinates. Thus, the efficiency of the organization increases.

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In addition to the control axis represented by either the decentralization of control or the centralization of control, there is what is known as authority. Defined as the ability and arising from any right to give instructions to another third party regarding the relationship between the parties.

Two types of authority are distinguished. Command authority, expressed in the class right to give instructions, when the holder of the authority is also given the right to supervise the execution of the instructions. In contrast,

there is functional authority, which arises from information available to the holder of the status that also subordinates him to ranks above him. For example, the company accountant, who has functional authority by virtue of his profession, and not only by virtue of his command position.

From the above, the issue of management arises. There is nothing easier than distinguishing a well-managed organization from a poorly managed one. Management, therefore, becomes the first component of organizational success. Every self-respecting book hangs the collar of economic success on proper management. The difference between management and management creates the difference in the success of organizations, in the quality of relations within the organization and, of course, in the economic stability of the organization.

What is management? Management is a means of effectively operating the organization. The manager serves as the head of the organization and must bring the organization to achieve its goals. Management is the

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complicated process whose function is to ultimately bring about the fulfillment of the organization's goals.

To distinguish between the various components, management must be broken down into its four main tasks in the order of their appearance in the organization: work planning, work organization, employee leadership, and performance control.

The first action of the manager will be to plan the work. This is the most important part of the manager, which is to see at a strategic level - planning for the various ranges, for example, short-term, medium-term, and/or long-term planning.

A manager who does not engage in planning will not be considered a manager. Planning cannot be the goal, but the means to achieve the goal. Planning can only be implemented if the right goals have been set. There was a division into goals, the means were set, and a schedule for implementation was set, while receiving feedback on the outputs received.

After planning, the manager must engage in the second action of management, organizing the work. This means organizing the body's work, since its work is organized and distributed according to the rationale established in its organizational structure. The manager must ensure that the work is carried out in terms of its organization, division of labor, and coordination between the various components of the work.

The next stage in management actions is no less important. The manager must be the leader of his employees. Employees should see the

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manager as a person who leads them, encourages them, and gives them a sense of security, belonging, and pride.

This is because appropriate organization and appropriate plans are not enough. Although they provide the appropriate background for action, the manager is also required to lead the execution. The manager is responsible for creating an atmosphere of cooperation. He must encourage and push the employees to act with motivation, and he must manage all conflicts that arise during execution. The manager must also be a leader!

Finally, the manager needs to make sure that things are being done as planned, so the manager's additional action is performance control. Control is the first important administrative factor. After setting the instructions, they are not always carried out. Therefore, a control system is needed that will examine and check the execution, receive feedback on the execution, correct or update plans and announce operative solutions when required. Execution cannot be a set-it-and-forget-it method.

The profession of management and administration, as old as human culture. The innovation in modern management stems mainly from the existing separation between the owner of the organization and its managers. Even in a private organization, the owner does not always manage the organization; sometimes he "rents" the services of a professional manager. Therefore, management is a profession that can be learned. Basically, there are four approaches to management: the

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approach of labor productivity, the behavioral, the rational and the institutional.

Furthermore, within the organization, what is called an "organizational climate" is created. This term refers to the atmosphere in the organization in terms of openness, which is expressed in the organization's five main performance metrics.

The organization's first performance metric refers to the definition of a role. In defining a role, the organization expresses the tasks assigned to the employee. These tasks are outlined through variables such as the purpose of the role, a system of subordination, areas of responsibility and authority, main tasks, contact points inside and outside the organization, required outputs, success indicators, and finally, verification methods to verify that the employee is performing his or her role.

The additional metric is organizational communication, how this communication operates within the organization. Mainly in relation to who reports to whom, who gives instructions, and so on. The next metric is risk-taking. In this sense, we want to know whether the organization takes risks and how this is expressed in the atmosphere that prevails in the organization.

A risk-taking organization, for example, is an organization that is managed in what is known as a "firefighting" manner. The organization does not plan its steps in advance and usually acts in response to each event that the organization encounters. It can be assumed that the

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feeling of the employees in such an organization will be different than their feeling in a more orderly organization.

The following two performance measures are related to each other and relate mainly to the atmosphere prevailing within the organization. The first performance measure is openness. In this sense, we want to know whether the employees and management participate in a dialogue or whether there is a top-down ordering. In this sense, for example, we find an organization that involves employees in decision-making versus an organization that does not relate to its employees at all.

The last dimension refers to the reward system that exists within the organization. In this sense, do employees feel or know that they are receiving a fair wage? It is not just about wages, but also about evaluation, bonuses, and so on in relation to their investment in the organization.

When one seeks to examine the organizational climate, one examines the five dimensions as mentioned and attempts to quantify them according to the criteria below, with the organizational climate usually marked on a scale ranging from two extremes of a "closed" climate to an open climate.

Role definition – rigid, flexible, clear or vague;

Organizational communication – open, closed, flowing or inhibited;

Risk-taking – conservative (solid) management versus risk-taking management;

Openness – management is open to suggestions and new ideas, yes or no;

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Independence – management encourages independence or emasculates its employees and managers;

Rewards – management rewards in a meritocratic or seniority-based manner;

A closed organization tends to the negative side of the variables, while an open organization tends to the positive side of them. The organizational culture with the organizational climate in relation to the organizational environment will ultimately determine the fit of the organization to its employees and vice versa, the fit of the employees to the organization. Such a mismatch may lead to performance failure and organizational failure.

What characterizes a startup is that the organization is in its initial stage. According to the organization life cycle approach, a startup may be considered an organization in its "baby" stage. At this stage, the organization may or may not have been officially established, but the organization is still in its early years. The organization has not yet begun to "walk" independently and is at the mercy of its founders. During this period, the organization has no policy, no work procedures, or sometimes even no organizational structure. Everyone does everything to save money and continue to survive. The organization centers around the founder or entrepreneur, who is everything to the organization - with his hand in everything and his hand in everything, directing and operating the organization as he sees fit. The startup tries with all its might to get out of the "baby" organization circle and into the "jumping" stage of the organization. At this stage, the organization is characterized

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by the integration of personnel beyond the founders - but all the processes, including decision-making processes, have not yet been formed. The danger here is that the organization is required to quickly establish rules of conduct, work procedures, and performance standards, otherwise it will lose the leverage of the startup and continue to depend on the personality of the founder.

As we can see, the organization in the startup stage is very dependent on the founder or entrepreneur who starts it. Therefore, it is necessary to examine how this influence may promote and/or hinder the startup from becoming a success.

The idea is that you can learn to manage and that people are "born" managers is a myth that is completely disproven. If people are born to be managers, what is the point of establishing management schools? As well as what is the point of even researching the subject and offering theories, solutions, strategies and tactics. You simply have to rely on the manager's "innate" ability and that's it.

However, there are still management schools that produce talented and excellent managers. This is proof that you can learn and become a manager and for this, there is no need for natural "talent". Every soldier starts out, is afraid and does not know what is happening on the battlefield. Therefore, a young soldier tends to perform actions differently than a veteran soldier.

The veteran soldier has undergone training, undergone training, undergone various experiences that ultimately qualify him to behave in a certain way on the battlefield. The more we trust the person, the more

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professionally he will behave. This is the reason, as stated, that training is done.

As stated, a manager has four main tasks - work planning, work organization, leadership of employees, and performance control. These four tasks, together, mark the manager's activity.

However, it should not be understood from this that all managers have all these qualities under their control. That is, no manager can control all four tasks proportionally. Because everyone has tendencies, desires, and emphases.

Therefore, we will find a manager who will spend more time on planning. Such a manager does not leave the office, all day long he is immersed in planning calculations, presenting graphs and flow charts. The walls of his office are covered with posters and all kinds of planning accessories.

On the other hand, we will find the same manager who spends more time on the division of labor and the organization of the work itself. This is a manager who will always be outside with the employees when he controls the platform. Directs and conveys, announces and shouts various instructions to the employees. He is a foreman, more than a planning manager.

The next type of manager is more of a leader, this manager also hangs out with the employees and encourages them. Helps them and increases their motivation. Compliments them and "caresses" them, listens and tries to be more "human" and considerate.

The last type will be the manager who cares about people completing their tasks. This is a manager who behaves more like a "guardian." He is

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interested in every action that the employees are engaged in, criticizes and comments, scolds and shouts. Demands results all the time, without considering any factor that can delay. All to fulfill the task generally according to his own way.

Hence, every manager in practice has a kind of mix of the four actions, with each of them investing more in those variables that suit him more. When it comes to a startup, it is very important that the executive manager be one who can provide an operative response to the problems that the startup encounters.

As we saw earlier, a startup has several important problems and in fact no one problem is more important than the other. Therefore, it is necessary to address all of these issues. The first issue is to present to investors in order to make the flow of funds continue.

The manager must be someone who can explain, convince, and direct things while cultivating social relationships with investors. He must be familiar with the rules of etiquette and the culture that characterizes investors. This is because every culture has its own set of values, norms, and mandatory rules of etiquette. Therefore, the manager must learn in order not to fall into the trap due to the lack of knowledge of the culture of his investors.

The second issue is the employees in the venture itself. It can be assumed that the small number of employees and the friction that remains from being "closed" in the same area for a long time may cause problems. In addition, there is the matter of ego that always plays out in any situation.

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Therefore, the manager must be someone who will lead the employees, who knows how to relieve tensions, who can scold but also encourage. Who knows how to navigate the tiny "politics" that always take shape when other people spend time together.

Such a manager should be competent enough to get the best out of employees, without causing them to despair or break down as a result of work pressure or the murky relationship that may grow as a result of the external and internal pressures that exist.

If we seek to determine the profile of a successful startup manager, we find that he must first and foremost have vision and strategic thinking. Having a vision is clear from the need to be sharp and clear about the problem that the startup is trying to solve. He must see the market and the future direction of market development in a controlled manner.

He must also have a "big picture" of the various components, but he must not miss the small details. Sometimes the small details may delay or even cancel all the effort made.

An equally important trait is that he must not be "caught up" in concepts. Despite being a planner, he must be familiar with the Israeli army's saying, "Every plan is a basis for change." In other words, he must be flexible enough so that in the chaos that has arisen, he does not try to arrange it, but rather tries to continue to exploit the chaos to his advantage.

That successful manager must have a good attitude with people. He must know how to discern their qualities but also their weaknesses. He must know how to recruit the right people, those who will be loyal and

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dedicated to the good of all. He must know how to turn individual people into a team that works in harmony. He must show leadership skills that instill trust, not control and oppression, but leadership and leadership. While he is careful to maintain open, transparent and direct communication with the team.

That manager must have an entrepreneurial attitude and the courage to take risks. That manager must not hesitate, because of the fear of failure. He can fall and get up, fail and overcome, not sit on the sidelines "and cry" after every disappointment or failure. Let him be able after every difficult experience to get up, draw lessons and change direction and solve the problem.

He has the ability to deal with uncertainty. This is a trait that characterizes a true leader. He considers his steps, and is not afraid of uncertainty, which he also takes into account in the quantitative calculation he makes. Only in this way can he maintain focus and stability even in more difficult times.

Such a manager must not "bury" himself in the role he has taken on. When necessary, he rolls up his sleeves and washes dishes, serves customers and even throws out the garbage when necessary. He is not afraid to "get his hands dirty" in all types of work required. For the team, he is one of the team, a leader and not a title.

Along with being a humble and simple person, he must be particularly professional in the matter of decision-making. He must make decisions based on data and analysis and not on gut feelings or heart feelings. He must understand the market, his competitors and his customers. He

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must also understand and master important auxiliary indicators such as Runway, which suggests how much time is left until the money runs out. An indicator that determines the pace of fundraising and efficiency.

Another indicator he must know is the CAC indicator, this is an indicator that shows the effectiveness of marketing, showing how much money it costs to recruit a customer. The other indicator that he must know and act on is the LTV indicator, which determines the value of the customer for the organization. That is, how much money the customer contributes to the business.

Of course, he must be familiar with additional operational metrics such as annual recurring revenue (ARR) or monthly recurring revenue (MRR), cash burn rate, customer churn rate, versus customer retention rate, and more.

Beyond that, the startup manager must have strong personal and interpersonal skills. He can, on the one hand, motivate employees and, on the other hand, recruit investors. He maintains relationships of trust and respect with all parties involved. He has marketing skills and can convince when presenting ideas, as well as bargaining skills.

As mentioned, he must be flexible with the ability to learn quickly and, above all, the ability to accept criticism and act accordingly. Accepting criticism is a very important trait for every person, since most people refuse to accept criticism and see it as something negative.

Through criticism, you can learn a lot, update yourself, and change ways that don't work to ways that can lead to success. We have already talked about a person who lacks intelligence who does the same things and

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believes that he will get a different result. Without the ability to accept criticism, there is no possibility of progressing, improving, and succeeding.

In principle, the startup manager must have the ability to lead even when everything is unclear, to keep the vision in the air even when there is no working product, paying customers, or a clear model. This is leadership from faith and action, not just from results.

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Chapter Seven

Today, when everyone talks about artificial intelligence, they make extensive use of various artificial intelligence models. In almost every field, there is a practical use for everything related to artificial intelligence. Therefore, almost automatically, there will be those who will ask whether it is worth letting artificial intelligence manage your startup for you?

After all, the advantage that artificial intelligence has is completely clear. Artificial intelligence is able to provide real-time solutions to almost any issue that may arise during management. Besides, as we know, artificial intelligence does not have an ego, or a personality that can be damaged as a result of, for example, criticism or just unfair treatment.

On the question of whether it is worth letting AI manage your startup? The short answer will always be no. But at the same time, you must not eliminate the ability of AI to assist you as a manager.

This is because AI holds an extremely powerful management tool at its disposal. AI has access to large databases, the ability to almost instantly present complicated calculations, and assist in processes that require available and real-time data.

Artificial intelligence cannot replace the founders or entrepreneurs of the startup, but it can provide backup and can allow the manager to make a significant upgrade. But one very important point must always be remembered. Human behavior.

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In order to try to explain what things are meant, we will present below something that is usually associated with the term power. In principle, power is defined as the ability to give someone instructions and they will carry them out. Unlike the authority that can be obtained by virtue of an appointment and/or by virtue of a position, power cannot be appointed or exercised by necessity of the position.

There are basically several types of power, these types are ranked in a hierarchy from the weakest power to the highest power. At the lowest level of power is physical power. A person forces another to do things, because of his physical strength. The person does what he is asked to do because he fears physical harm.

The higher level of this would be economic power when a person pays you to do things, you will do them. The higher level of this would be the power of knowledge. Since the person with power knows, he motivates you to do what he asks you to do.

However, the highest level of power is personal power driven by the necessity of the person's charisma. But, here the question arises, how does that person, for example a political leader, attract one audience that claims to be charismatic and a great leader. On the other hand, another audience will claim that the same person is the opposite.

After all, the same person has not changed at all, only the perception of different audiences presents him in a different light. The question arises as to why things are this way. The experts' answer will be that everything depends on two main variables in that person's message. The message must be consistent and coherent, that is, consistent and clear.

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Now here comes the special move, usually when a person hears or sees things for the first time, he may check them. However, after the initial check, the person stops checking and trusts what is said. In other words, there is a certain degree of laziness here in which the person does not always check beyond the first time.

If we return for a moment to that leader, what happened was that one target audience that checked the leader found his message correct, while another audience found his message incorrect. Later, no audience checked again and changed its mind, because this is not the main characteristic of humans.

Now, if we return for a moment to the "appointment" of the artificial intelligence that can replace you as a founder, we can assume that the laziness that will be caused to those employees at the startup will lead them to great dependence on that artificial intelligence, so if there is a fear of making a mistake, and significantly there are mistakes that the artificial intelligence makes, in this case all that the artificial intelligence has managed to do is the opposite of significantly upgrading you but rather leading you to failure.

Now the critics will come and claim that artificial intelligence cannot make a mistake. Here I can decide unequivocally and claim that since angelic intelligence relies on knowledge that is usually published in open sources, there are many studies that contradict reality, and are perceived as reality itself.

There are research branches, for example, that are not willing to accept any research that contradicts their political agenda. There are also

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studies funded by interested parties whose purpose is to spread propaganda, or false information or simply misinformation in order to "prove" a certain agenda.

It is not the purpose of this work to present all these studies funded by interested parties that push an agenda, but those who are interested can read, for example, Michael Cremo's book. Forbidden Archaeology: The Hidden History of the Human Race Retrieved 17 October 2013. This book describes exactly what was suggested above.

The question arises, when is it worth using artificial intelligence in the management of a startup? The answer to this is absolutely clear. First, it should be remembered that artificial intelligence is capable of performing many tasks. In this way, artificial intelligence can save time, money and sometimes also mistakes.

Artificial intelligence can, for example, assist in making decisions based on data. However, here the burden falls on the operator to check the data and see whether this data comes from a correct base. As is known, there are parties and even governments that offer data that have a political agenda.

Therefore, the same artificial intelligence can help locate data and cross-check data with different sources. This will save a lot of time and give a much more reliable picture.

For example, artificial intelligence can provide a picture of marketing campaign analysis, user analysis, and consumer behavior analysis. In addition, artificial intelligence can also provide suggestions for improving marketing based on consumer behavior. It can also analyze

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the positive and negative characteristics that the product is perceived by customers.

Artificial intelligence can greatly assist in all the automated processes that exist in the startup's management system. For example, it can control mailing, customer management, inventory, collection, and all accounting issues, while meeting various operational indicators.

In addition, artificial intelligence can professionally assist in every aspect of project management, including reminders, meeting deadlines, dividing tasks, measuring time, and especially in producing performance reports.

Artificial intelligence is extremely effective in creating content, it can give the user great power in formulations that can hit the goal and promote all the needs of the startup.

For example, artificial intelligence can create marketing content, contact letters, posters, landing pages, send emails, track messages received. Not to mention copywriting, translation services into any language in the world, editing and proposing campaigns, preparing presentations, files, and more.

Artificial intelligence can respond to customer inquiries and even serve as active customer service. For example, through smart customer service bots Twenty-Four Seven. It can also serve as a source of customer inquiries, while providing answers to inquiries according to a classification that will be determined, all with a quick response.

However, it should be remembered that artificial intelligence should not be allowed to manage the startup or, for that matter, any other venture.

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Therefore, artificial intelligence should not be relied upon, for example, in making strategic decisions.

Artificial intelligence cannot decide, for example, when to make a fundamental strategic change (Pivot) in the direction of the startup, whether it is in the direction of the business, product or service that the startup is working on. It should be noted that this fundamental strategic change is usually made when the startup's local idea fails to take off, or does not attract customers or is not profitable enough. As mentioned, artificial intelligence should not be involved in which market to enter.

It should also not interfere in the relationship between the partners in matters such as how to distribute the shares or what to give to the investor. Artificial intelligence should also not be involved in any fundraising issue.

The reasons for this are that these matters involve ego and cultural considerations. Artificial intelligence has no real personality, but is an emotionless machine that is programmed and operated according to its programming. Thus, it is possible that these considerations may leak and end up in the wrong hands.

We previously presented the issue of organizational culture and how organizational culture presents what is happening in the organization in terms of the relationship between people. Therefore, artificial intelligence should not be allowed to deal with the entire issue of organizational culture and the relationship with people in the organization.

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That is, do not give artificial intelligence the management of teams in all respects. The issue of recruiting and accepting employees. Although, it is possible to use the admission tests that exist in the artificial intelligence database, but decision-making will always be human.

Likewise, artificial intelligence should not be given the opportunity to have difficult conversations with employees, for example in hearings, and should not be allowed to decide on dismissal issues. All things that require human, emotional and social intelligence should be outside the scope of artificial intelligence. Artificial intelligence is only an aid.

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Chapter Eight

To start a startup, you first need to talk about the founder. Why is the founder of the startup so important? First and foremost, the founder is the visionary. He usually thinks about the problem first and tries to give it a practical solution.

Hence, the founder is the one who should determine the direction and also the vision of the organization. When talking about vision, it is necessary to define the term in such a way that we can understand what things are meant to be.

First, a vision is a future, ideal, and inspiring description of a state or goal that an organization, person, or group strives to reach. It is an overall picture of the desired future that guides the activities, decisions, and development over time.

The term is used in many areas, but what is interesting is its use in the business and management fields. Here, the vision defines the strategic direction and future goals of the organization. Its function is to serve as a tool to increase employee motivation.

In principle, when you walk down a path without knowing what the goal is and how much time is left, this can discourage even the toughest person. Therefore, when an organization operates without a vision, it is as if it demands that employees "go" without telling them where. Thus, the vision allows employees to understand where they are "going" and not the main thing is "going".

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In essence, a vision can differentiate and create uniqueness, so it can serve as a tool to distinguish one competing company from another, while building a unique identity for the company. Likewise, the vision can be an educational and training tool, through which the organization directs employees to the benefit of its organizational goals.

When we have a founder who is able to set a vision, we can also succeed in convincing the team and investors when times are tough. After all, the road to success is not always "bed of roses." There are obstacles, bumps and other problems along the way.

The founder is supposed to make strategic decisions about how to adapt the product to the market. Or when to change the vehicles. When and how to raise funds, choose partners, employees and other business relationships.

As we know, a startup is usually a "journey" of learning that includes experiments, corrections, and re-examinations. The ability to learn and be flexible is a necessary condition for success. We have already presented the need for open-mindedness in order to succeed.

Here, too, a flexible person is needed who is willing to accept criticism and implement it despite his wounded ego. That is, to look at the common good instead of his own personal good. Therefore, a founder must be willing to learn, adapt, and change quickly.

Remember, people invest money in people, not just in an idea. The best idea that comes from people they don't trust will not generate investments. Therefore, the founder must be charismatic, charming,

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reliable, and capable of execution, which will lead investors to trust the person and, through them, trust the venture.

Managing a team also requires trust, so the founder's personality is usually the primary tool for the success of a startup. He can choose a quality team and lead it to a common goal for everyone.

Studies show that the founding team is one of the factors that most influence the success or failure of a startup. Thus, even startups with a great idea may fail if the founders do not function well.

So what should the founder actually be? A leader? An organizer? A visionary? Or a combination? The ideal founder is a combination of several key roles. He is the visionary, he is the leader, he is the organizer. This is because the founder is the heart and soul of the startup, he is the one who pushes, decides and leads. Without a strong founder, it is likely that the startup will have difficulty surviving.

In order to present a complete picture, it is necessary to remember that the founder does not have to do everything himself. There are successful startups when there is a team of founders who complement each other. When each team member has expertise in different areas. For example, one with vision and creativity, the other with management and organizational skills, and another with leadership skills.

However, if your startup is based on you as a sole founder, you must remember to direct things in relation to their needs. That is, understand where you can invest more and what you can transfer to others.

Knowing how to decentralize control is an important trait for a manager. Decentralizing control reduces the burden on the manager and creates a

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better atmosphere in the organization. An atmosphere of sharing and transparency. Especially when the team feels that they are trusted and they will invest much more.

Therefore, a founder-leader is much more important than having a vision, or having great skills in the organization. Because the role as a leader guides the team towards success, and above all, he can choose those who can do the tasks much better than him. A good founder knows how to recognize his strengths and weaknesses, and build a team around him that will strengthen what he is less good at.

From this arises the great importance of the team working in a startup. The team must first and foremost fulfill and realize the vision. No one can do everything alone, so the team becomes a full partner in realizing the vision.

Team members with complementary skills enable the actual execution of the various plans. The team, as one, can deal with the challenges facing the startup itself.

It should be remembered that a startup is not a simple and easy journey. You just invent something or write some code and the next day the whole world "bows down" and showers you with a lot of money. A startup is a arduous and sometimes long journey with many crises, disappointments and discouragement. Therefore, strong team members support each other, encourage each other and share the load, sometimes even the psychological burden that accompanies disappointments. All this increases the chance of coping with crises and even ultimately succeeding.

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The team itself contributes to creativity. When you combine different people, you get a team that can cope. As the Israeli army says, four heads are better than one. In other words, when we have different people thinking about the same problem, we get a "brainstorming" that can lead to good solutions than when only one tries to solve it on their own.

Thus, the group dynamics are good and produce good ideas, practical solutions, breakthroughs and even innovations and "outside the box" thinking, which are all necessary conditions for the success of the startup.

When we have a good team, they can also help recruit investors and convince partners. This is because, as we said before, we invest in people and not just in the idea. Hence, it is no secret that investors examine not only the idea but also the people behind it. Therefore, an organized, experienced and motivated team increases trust and reflects professionalism.

Also in the matter of the division of roles and responsibilities, the team helps the startup develop well. When each team member can focus on what they are good at, it helps with effective management of time and resources.

Therefore, when a team has complementary skills, it helps with development, marketing, sales, management, and finance. When there is trust and mutual appreciation among the team, it promotes effective teamwork and high motivation. It helps increase the willingness to invest time and energy above average. When there is open communication in a

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team, you get a quick resolution of problems and conflicts and, most importantly, the ability to learn and adapt to deal with changes and uncertainty.

Studies show that startups with a cohesive and diverse founding team tend to be 30%-50% more successful than those with a single founder or an unbalanced team. Also, a team with previous experience working together strengthens the chances of significant success.

This shows that a strong team is like an engine that propels a ship. Without a good engine, the ship will have difficulty reaching its destination, no matter how good the captain.

After explaining the importance of the founder and the team, we can now focus on establishing the startup. The question that is always asked will be what is my first step in establishing a startup.

First, you must research and examine the problem you want to solve. That is, there must be some problem that bothers you and you are trying to provide a solution to it. Therefore, you must research not only what the problem is, but also what the scope of this problem is, whether there are existing solutions to this problem.

To do this, you must talk to the potential target audience that may be the potential customers tomorrow, remember to talk to those who will be potential customers, not just with your friends. Although it is also worth starting to inquire with your friends to see what is happening.

You should ask the large audience you have found in an organized manner, even in the form of a questionnaire. You can even conduct this

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as a professional survey and even send it through an objective survey company that will give you the answers to your questionnaire.

The questionnaire should contain questions such as what hurts them, as well as how they solve the problem today, what they lack and whether they would be willing to pay for a good solution. You can add various demographic details to the questionnaire to differentiate the target audience.

Recommendation Since you are trying to get honest feedback and not trying to "sell" your idea at this stage, and you need to check whether the problem actually exists and is important enough, it is worth engaging a professional survey company that can also characterize the questionnaire and prepare it according to your needs.

The survey company can deliver the questionnaire and give you absolutely objective feedback. Because this is very critical and important, since all the startups that failed, failed because they did not need the product they developed.

This stage is the most significant stage in the entire journey you are about to begin. Therefore, it is worth spending some money on a professional and serious survey, which can give you answers from the field. As we said from the beginning, a startup is successful only when it meets a need in the market.

Therefore, checking whether there is a need for what you think or believe is a need, becomes the significant step for the rest of the journey. If you decide to conduct the test alone, therefore, in order to

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examine the problem seriously, you must write a short description of the problem and the solution that you are thinking of.

From what you have written, you can, as mentioned, design a short questionnaire or a list of questions for interviews with relevant people. After examining whether the questions relate to what you want to examine, you will start talking to relevant people, such as colleagues, potential customers, experts.

Remember that the more people you talk to, the more diverse your data will be. After you have spoken to the people, whether it was in a more or less structured interview, or by filling out a questionnaire, you should write down insights, which emerge from the interviews you conducted. You need to come to a conclusion: Is the problem real? Is your solution relevant?

Only when you have received positive feedback, that is, from the interviews or questionnaire you conducted on your own and/or with the help of a professional survey company, and you realize that the problem is indeed real and your solution is relevant, only then can you move on to building a simple prototype and testing the market in practice.

For the sake of explanation, a prototype is also known as a minimum viable product. This is the simplest initial product that can be built and released to customers, which contains only the necessary functions in order to: test the idea or product in the real market, learn how customers react to it, and understand whether it is worth continuing to invest in its full development.

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This is a common tool to promote the startup and is used to save resources. This way, you do not invest in features that are not in demand at this stage. Through the prototype, you can learn what may interest customers, so it is also used to test the market and, above all, it is something tangible that can be presented to investors. It also serves as the initial stage from which you can continue to develop the product.

Different types of prototypes besides the physical construction of a prototype can be, for example, a video that explains the idea. Or using an off-the-shelf product that you modify according to the specifications you wish to test. Also writing an application that tests the public's willingness to use the product.

At this stage, we can also outline the initial budget for establishing the startup. First, it should be noted that all costs are only an estimate for a specific market, where prices can be lower or higher in different places.

Also, the prices are offered in United States dollars and are correct as of the date of writing the book only. Thus, in order to arrive at a correct calculation, you should check the costs in your area yourself and not rely on this example, which serves as an example only.

After clarifying the important caveat suggested above, we can present an example of the initial cost for establishing a simple technology startup, such as a basic application or website. The cost will include developing a basic prototype as suggested previously. Purchasing a domain, hosting, and various technological tools. In this case, the price is annual. Design cost is usually very basic. Company registration costs,

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fees, and legal expenses. Initial marketing cost. Estimates of these expenses range from $3,200 to $32,000.

When it comes to a startup with development requirements such as hardware, or artificial intelligence or biotechnology. To explain what development requirements are, it is a startup whose product or service requires complex technological development and many resources.

That is, a longer development time, the need for teams with specific specialization, as well as advanced equipment or infrastructure. As a result, a larger budget is sometimes also needed at an early stage. This is because research, experiments, special infrastructure, or complex calculations are needed and it takes time to present an initial prototype.

For example, when it comes to artificial intelligence, this requires collecting large amounts of data, processing, training models, and also requires powerful servers (GPU) and experts in the field of data.

When it comes to hardware, it is about the need to design, manufacture and test a physical device, not just software. This also includes additional stages of production and regulation.

When it comes to biotechnology or healthcare, scientific research, clinical trials, and sometimes medical regulation require health ministry approvals and other legal approvals, genetic testing, and other medical solutions.

In the case of a startup in this area of heavy development requirements, this includes the cost of initial development, hiring a special team, paying for laboratories, offices and research, paying for professional

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personnel, engineers and experts in their field. A rough estimate of between US$148,000 and US$12 million.

Cost of a startup in an idea stage without any physical development, which is different from what previous startups confirm. We have no investments here, only in expenses for consideration. These expenses include market research and building a business model. As mentioned, we previously suggested doing this with a professional survey company, but it can be done by the entrepreneurs themselves without any expense at all.

However, if you decide to do the survey through a professional survey company, the price will be per survey hour. You must determine in advance how many hours of survey you are purchasing. The method is that the survey company asks for a price for a pilot, to check the readiness of the target audience.

You must pay for the pilot and only after the pilot, the survey company can determine how many hours it needs to complete the survey. The cost of a survey may range from $2,000 to $10,000, depending on the complexity of the questionnaire and the segmentation of the target audience.

You can also use basic digital tools, which refer to simple and accessible tools online, usually cloud tools, that help entrepreneurs, small businesses, and teams perform daily tasks, without the need for deep technical knowledge or advanced software.

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For example, Google Workspace, which includes tools such as Gmail, Google Drive, Google Docs / Sheets / Slides, Google Meet, allows teams to work together in real time, remotely, and share files easily.

Canva, is an online graphic tool that allows you to design things very simply, even without knowledge of graphic design. There you can design posts for social networks, presentations, logos, flyers, business cards, and more.

You can use these and other tools, whether paid or free, all depending on the need you have to act, the amount of time, and more. It is also possible to use artificial intelligence today, either for free or for free. In order to create content of any kind and other assistance.

If we want to know what is really necessary to start a startup, we will have to go back to the main idea on which everything is built. First and foremost, you need to formulate the idea and understand the market. When you want to understand the market, you need to know what things are meant to be.

Basically, we will expand on this point in the next chapter, but for the purposes of this chapter, we will show that understanding the market means knowing your target audience.

Therefore, until you verify the need that the startup fills, which is a real and correct need in relation to the target audience, you no longer need to invest a lot of money. Thus, apart from developing the prototype, or presenting a presentation of the idea, which can help in attracting investors, there is no point in investing.

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Therefore, it is very important that the entrepreneur or founder be in contact with different groups, to receive feedback from them and to verify whether his idea is a real need or not. Therefore, it is always preferable to focus on a minimal prototype, while assisting with volunteers or those who are willing to invest today for the future.

An integral part of the process of establishing a startup is related to the legal process and registering the organization legally in accordance with the provisions of each law. It should be remembered that in every country there are so-called commercial laws. These laws and provisions are binding and must be taken seriously

Therefore, it is always preferable to consult with qualified professionals in the fields of law, accounting and bookkeeping. It is also appropriate to consult with a banking expert and even with management consultants.

It should be remembered that the saying, "The end of the matter is only with thought first" is extremely important. Sometimes we regret very much that we did not act correctly at the beginning, which may later lead to legal issues and very complicated situations.

Hence, it is important to have expert consultants in their field, so that the final price you pay for mistakes will not be significant, compared to the price you would pay if you did not take the right steps at the beginning.

Now we can ask why the legal process is so important. First and foremost, its purpose is to preserve and protect intellectual property rights. Intellectual property rights apply to any idea or thought you have from which any economic benefit can be derived.

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Thus, if you do not preserve what is yours, no one will preserve it for you. In time, a competitor or another person can take your idea, develop it and make money from it. You, even though you are the owner of the idea, will have no access to those funds.

Therefore, protecting intellectual property is an important reason to consider the legal process. It is actually about registering patents, copyrights, trademarks, and more, and protecting intellectual property gives you the ability to protect your idea and technology from copying.

For example, you meet with investors and present your idea to them and ask for their investment. The investors will ask you to leave the material and explanations with them to "study".

The next day you receive a negative answer and you leave these investors. However, after a while, you realize that your idea and everything you thought and presented, appears as a product on the market.

If you have not protected your idea, with intellectual property, and have not tied investors to a relationship that prohibits them from imitating or copying what you have presented to them, you will have no choice, you will see how your idea brings money to others and there is not much you can do.

Therefore, it can be a particularly significant asset in negotiations with investors or partners. Hence the legal establishment of the company, company registration, contracts between founders, distribution of shares, definition of roles and responsibilities. Saves future conflicts that could destroy the startup.

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From here you must draft agreements in compliance with the various laws that exist in your country. Contracts with employees, suppliers and customers, including confidentiality agreements. You must maintain compliance with privacy regulations, or the Data Protection Act, and regulations unique to the field.

The process of raising capital and investors is also a process that requires organized and clear legal documents, such as on clauses and on options, shares, voting rights, and more. Thus, in the absence of a good legal infrastructure, investors will also think twice.

From the very first stage of the startup, clear founders' agreements are necessary that define each person's share, copyrights, exit from the partnership, and more. The company needs to be properly registered. In addition, basic protection for an idea/code/product is also needed, such as confidentiality agreements or simple trademarks.

Thus, even before a significant round of fundraising, it is worth investing in the legal process. In other words, come prepared to investors, especially when it comes to partnerships with large companies. Large companies have an "army" of lawyers, and even if you are the most brilliant person in the world, it will be difficult for you to cope. Therefore, you must seek protection for yourself as well. Especially when working with innovative technologies that require intensive protection.

Although the legal process is very important, the startup needs to be more agile and move quickly. Therefore, the initial foundation for the legal process must be laid, and things must flow. But do not forget to

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establish a strong and stable initial foundation on which it will be possible to build further as the startup develops and grows.

It should be remembered that the legal process is an important anchor that protects the startup, its business infrastructure structure, and its intellectual property. Therefore, it is important to invest in it according to the stage and resources, but not let it hinder progress.

At this point, we would like to touch on the point of a sole founder. What is a sole founder? It is a startup that is built entirely on the entrepreneur who is also the founder. In other words, he has no other partners, and therefore, the great advantage of a sole founder will be quick decision-making, because there is no need to coordinate with partners.

A sole founder can rebel in what he sees as important and does not have to compromise what others see as a priority. Therefore, a sole founder is more focused on work and at the same time he may show high flexibility, because he can change which direction he decides to go without any need to get "approval" from the partners.

But at the same time, the burden of roles that a sole founder plays can collapse him and rob him of valuable time that he cannot devote to the things that are really important. Especially when a sole founder has to be the developer, the marketer, the manager, the marketing, and the customer recruitment. As we know, it is difficult to be good in all areas, so there will be areas in which the founder will be weak and this area will suffer.

Partners are not always a bad thing, they sometimes provide support and give a feeling of being together. Therefore, a sole founder without

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partners may feel lonely and as a result will not have support, will lack those partners to consult with in difficult moments. In addition, it is necessary to note the attitude of investors, who, as we said before, look at the personality and after that the investment comes. When there is a sole founder, it is less reliable with investors. Especially in light of the knowledge that many investors prefer a cohesive team, because it increases the chances of success. This does not mean that you need partners from the beginning, but it does not require that you continue to be a sole founder. Therefore, you should always consider adding team members who will help you in many areas. Especially if the startup starts to grow and become stronger. It should be remembered that most large startups succeeded thanks to a cohesive team of founders.

For each startup, there should be a typical schedule from the idea stage until the take -off stage. While it may not fit any startup venture, it is an average time frame that always has to be adapted to reality in the field.

The first step is always a stage of formulating the idea. At this point, as mentioned, trying to investigate the problem, talk to customers and see the ways of solution. The average period of time can take a minimum of a month but it may take beyond two months. This is subject to the extent of the investigation and the feedback received from the customers.

In the second phase, an initial prototype construction phase and the basic market test. This step, as stated, is simple, so the duration of time will be for another two to four months, subject to the complexity of the prototype.

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A third stage is a test and feedback reception phase. Here we will collect data from the field and catch up, improve and upgrade the father climbing subject to the following requirements from the field. This phase may take a minimum month to four months.

A fourth step, the product is already ready for launch, most of the problems and the product were more or less tailored to market requirements. At this point, set up a website for the company, prepare a marketing plan and begin the marketing campaign. Keep in mind that at this point, the technical support of customer service must already be prepared. This phase may take months.

Step Fifth, the official launch of the product, whether at a launch event or any other option of the marketing campaign, the first customers of the product are already starting to purchase it. This step length will be about a month subject to the various launch events if at all.

The sixth stage is usually characterized by the development along with the growth of the startup as it is specialized in its business model. At this point, more customers continue to collect, investing in the development of the product and the Startup is scheduled to board the King's Road. This step continues as long as the startup develops and grows.

Thus, the total average time from the beginning of the idea until the initial launch in the market ranges from a minimum of six months to a year.

Despite the above, there are variables that interfere and extend the duration of activity in the various stages. The first variable that interferes

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is the complexity of the product. This is his technological complexity. The same goes for advanced development technologies.

The size of the development team also affects the length of time. This is together with the ability to fund and recruit investors. Sometimes, the product requires regulation which is usually a barrier and a serious time. Therefore, the degree of bureaucracy and regulation in the field of product affects the length of time needed.

Keep in mind that sometimes it is better to launch early with a simple product even type of "minimum of sustainable product" and get a real feedback, than procrastination in the development of a perfect product that can not reach the market.

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Chapter Nine

This chapter will deal with a field that is sometimes neglected in everything related to the topic of startups. It is about consumer behavior and how this behavior can be harnessed for the benefit of the startup. Basically, economic behavior is a subdiscipline that includes topics that can belong to the psychological, sociological, and anthropological fields.

As a result, it is customary to include the field of economic behavior under the discipline of economic anthropology itself.

Economic anthropology is a subfield of social anthropology and seeks to investigate in a more substantive way the economic institutions that exist in human society.

The central argument is that we cannot examine the economy and/or an economic economy in isolation from the humans that make it up. At the same time, there is no possibility of seeing an economic economy as "mono-valued" and linear in its essence.

Rather, it is a complex field that includes both the personal structure of the working individual and the social structure, culture, and all the variables that make us unique human beings from other human beings.

Conventional approaches within the framework of economics and management studies leave many areas uncovered. Other areas receive too deep mathematical emphasis that in reality mathematical application becomes impossible and even unnecessary.

Economists and managers often find themselves faced with the "broken trough" of understanding market processes. Associating these variables

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with "economic behavior" gives managers even more sensitive tools for examining real economic variables.

Beyond that, as is known, decisions by individuals in the economy may affect the entire market, especially since decisions by many can affect it.

A behavioral economic approach gives the entrepreneur the conceptual tools that help him examine between the trivial and the essential, between the cause and the circumstance. Especially when the basic distinction says that an economic situation is the "result of things and not the cause of things." Hence, it is appropriate and desirable to learn what things affect the economic situation, the behavior of people within a given economic economy.

Such an approach, which sees the economic situation as the cause of the causes, indicates a fundamental lack of understanding of the economic economy. Every economy usually tries to present some kind of "normal" relationship between the regulator, the government, the manufacturers and the consumers. However, things do not always proceed "on a smooth path".

It should be remembered that every action taken by the government and/or the manufacturers is accompanied by a consumer response. However, it is not always possible to predict in advance what the consumer response will be.

For example, the brand Bedweiser presented an advertising campaign aimed at attracting a new target audience to use the product. The result was the opposite of what was expected. Instead of attracting the new market segment, the company lost a significant part of the existing

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market segment. In addition, the market segment that was supposed to join also withdrew from the deal and did not join.

The result was a significant economic loss for the parent company, the manufacturer of the brand. Not only a financial loss, but also a certain deterioration in the company's position in the minds of consumers. In addition, the company lost its leading position in the market and its market segment shrank.

Even if the government decides on any economic measures, these measures are not implemented exactly according to what the government expected. Public behavior is not the result of a decision by an economic planner.

For example, the government decides to increase the percentage of value-added tax that consumers will pay. The result will always be in accordance with the wishes of consumers and not the government. For example, according to the Laffer curve, this is a graphical model that shows the relationship between the tax rate and the total tax collection.

The curve demonstrates the idea that there is an optimal tax rate, that is, if the tax rate is too low or too high, the total collection from citizens is actually small. The main idea is that by collecting low taxes, the government collects little money because the percentage is low. However, even with taxes that are too high, people stop working, evade taxes or move their activities abroad, and therefore even then the collection is small.

Hence, it is impossible to arbitrarily set an increase in the value added tax percentage and believe that this will increase government collection.

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In the case of a value added tax, this is a tax paid on consumption. The result will be that many transactions will be made without reporting and the government will not receive the expected increase.

As with any academic subject, there are theories and paradigms, and we will present here only for the sake of recognition four accepted approaches in the field. The presentation of these approaches is intended to introduce those who are interested in expanding their knowledge on this important subject.

The formalism approach, which is consistent with the neoclassical approach to economics, which claims that economic behavior stems from the desire of the individual and thus of society as a whole to maximize profit. As a result, economic behavior will be consistent with the desire to earn and maximize profit while minimizing loss.

The term profit maximization means that a person is willing to invest a little and receive a lot, and not vice versa, to invest a lot and receive a little.

A second approach is called substantivism, here economics has a substance, at least according to Polanyi's approach, a substance that appears formal like formalism itself, and another substance is in relation to adaptation to a given environment.

The cultural approach (Culturalism) sees the influence of culture on the economic structure, on the type of economic occupation, and on the general behavior of the individual in a given society. In fact, the central argument here is twofold: culture is what adapts, hence economic behavior is part of culture and therefore adapts itself.

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In modern times, additional approaches have been created that take appropriate parts from each of the theoretical approaches mentioned above, and insert them into an eclectic array of explanation that is consistent with the complexity of the modern world.

Different approaches can explain the economic behavior of different populations, but one must always remember the important variable of "normal behavior", which evaluates the behavior of the population subject to quantity.

According to the normal behavior curve, also known as the Gaussian bell, the curve describes the distribution of values of a particular phenomenon around some average.

Its shape is that of a symmetrical bell, high in the center and gradually decreasing as you move away from the middle.

In the center of the curve is the most common value, which is also the average, median, and mode all in the same place. The further you move away from the average (to the right or left), the lower the probability of encountering such a value.

For example: if we are talking about the height of people in a population – most people will be of some average height (say 170 cm), fewer people will be very short or very tall, and very few will be at the extreme ends (150 cm or 200 cm, for example).

In statistical terms: about 68% of the values are within one standard deviation of the mean (to the right and left). About 95% are within two standard deviations. About 99.7% are within three standard deviations.

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For example, we can adopt consumer behavior towards adopting innovations. This is a famous model called Rogers' innovation adoption model and it is built exactly according to a normal distribution (Gaussian curve), but each segment of the curve represents a psychological-marketing type of purchaser or technology adopter.

In a verbal description of the behavior curve, imagine a bell – high in the middle, low on the sides – and it divides the public according to when and how they adopt a new product or a new idea.

1. Innovators – about 2.5% - the first people to try an innovation. They are bold, curious, love technology, willing to take risks. They enter early, sometimes even before there is a stable product.

2. Early Adopters – about 13.5% - have social influence. They are the first in the community to adopt an innovation after the innovators have tested it. They have a higher social status, and tend to influence others.

3. The Early Majority – About 34% join only when the product has already proven itself. Less daring, but still open to innovations. Want security and economic feasibility.

4. Late Majority – about 34% are skeptical, more conservative. Will only adopt when it becomes a social standard, out of social pressure or necessity.

5. Laggards – about 16% are the most conservative group. Avoid innovations, hold on to old opinions, and will only barely adopt something new if at all.

It should be remembered that this curve is symmetrical, but the psychological meaning of each segment is very different. From a

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marketing perspective, each segment also requires a different approach. The innovators want technological innovation, the late majority want proof, and the late adopters are resistant to change.

Hence, there is usually a “gap” between the early adopters and the early majority, and this transition is the critical stage in which a venture or product is tested. Will it remain a niche product or become mainstream?

Economists and social scientists present the exographic model, which offers an approach to understanding the economic decisions of individuals or groups according to the axis of values that guides them and not only according to classical rational-utilitarian considerations, such as maximizing profit.

While, for example, the neoclassical approach to economics asks, what will maximize my personal utility?

The exographic model asks, "Which value is more important to me even if it comes at the expense of material utility?"

Let's say you are presented with two products, a cheap product made in China that is produced under slave conditions. Opposite it is a product twice as expensive that is produced by fair labor in a local cooperative. The utilitarian consumer will choose the cheaper one.

But the exographic consumer will choose according to the value axis that guides him, for example, human rights, ethical consumerism, sustainability, patriotism, religion, etc. A basic principle of the model Instead of assuming that economic decisions are based only on "how much does it cost me", the model suggests that each person operates

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within a personal field of values, and when he has to choose, he places the values on an axis, and sometimes even weighs them.

The consumer may ask himself "To what extent am I willing to give up convenience for environmental value?" "Do I buy local produce even if the product is inferior?" "How much am I willing to pay to not buy from a company that has political positions that I oppose?"

In its graphic form, the model presents on the horizontal axis: dimensions of values (for example: ecology, morality, nationalism, religion, personal benefit) while on the vertical axis: the strength of the influence of each value on economic choice.

This results in a personal economic value map, from which it is possible to understand purchase patterns, brand loyalty, moral preferences, and even resistance to consumption.

The exographic model returns human complexity to economics; it does not see a person only as a "consumer" but as a value entity that makes decisions from a system of beliefs, and not only from a profit-loss calculation.

The exographic model as described above is a sociological-social model, which focuses on behavior that is seen and measured from the outside. How a person presents himself or chooses in public, in accordance with accepted values or a group value system.

This is not an internal psychological model, and does not deal with emotional motives or private mental processes, but with external behavior that can be observed, discerned and understood in a social context.

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In fact, the model describes the person as representing a social and ethical code, whose economic behavior faithfully reflects his place in the social and ethical space. This is a model that analyzes visible behavior, in front of society and the environment, and not an internal psychological analysis.

Recommendations for the entrepreneur, how to harness consumer behavior for the benefit of your startup

Understanding the models presented in the chapter can help you as an entrepreneur refine your marketing and development strategy.

Identifying target audiences according to the innovation adoption model - It is important to know the different types of consumers - innovators, early adopters, early majority, late majority and latecomers - and adapt the messages, distribution methods and campaigns to them. For example, innovators and early adopters respond well to the message of innovation and technology, while the late majority will require proof and trust.

Mapping the values of the target audience according to the exographic model - Understanding the system of values that motivates the target audience allows you to direct the product and marketing so that they speak its language. For example, if the target audience is guided by environmental or social values, this dimension should be emphasized in the product and messages.

Using the value map to make business decisions - The personal or group value map can help make decisions about product development,

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business collaborations, and building a brand that connects to the world of customer values.

Avoiding incorrect assumptions about consumer behavior - Do not assume that all consumers act according to economic rationality alone. Taking into account the complexity of values and society will lead to greater success.

It should be remembered that there is also irrational economic behavior. That is, a view beyond pure maximization. Classical and neoclassical economics assume that individuals act rationally and maximize their personal utility, that is, every economic decision stems from the desire to obtain the best material result.

However, reality proves that economic behavior is rarely so "pure". There are other factors, not always quantitative, that dictate decisions. For example,

Social and cultural values - people act in accordance with norms, conventions and a value system that dictates what is right or proper to do, even if it does not promote immediate material gain.

Visibility and public behavior - a person's choice may be motivated by the desire to maintain a social reputation or be part of a group with certain values, not only by private economic calculation.

Moral preferences - for example, preferring a more expensive product produced under fair working conditions, over a cheaper product produced by a less ethical supplier, even at a higher economic price.

These phenomena present behavior that is not consistent with the basic assumptions of classical economic rationality. The exographic model,

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mentioned in the chapter, refers to this dimension and shows how the value system and social code actually dictate economic behavior.

For the entrepreneur, this is a challenge and an opportunity: to understand that the audience is not a homogeneous group of "maximizers," but a complex array of people with different values and preferences. Success will be achieved by taking this complexity into account and using tools adapted to the diversity of audiences.

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Chapter Ten

One of the important issues at hand is how to finance the project we dream of and even work on over a certain period of time. This question is not a simple one, and we will try to give below some ways that will help the entrepreneur to perhaps realize his startup.

First, some background on the issue of financing. It should be known that in the end, everything will rise or fall on a budget. It is not possible to make a change without a budget or any other action. Therefore, the budget is very important and critical in every human action we take.

True, there are always good people who are willing to help, volunteer and engage themselves without any compensation. However, even these people ultimately seek some compensation. Starting from respect, through a position and ending with comfortable financial profits.

Almost no politician does not do his work voluntarily, even though he will tell us that he sees his work as a mission and service to the public. But if we look at the bottom line, we find that that politician has upgraded his economic status since he began his journey in politics.

Therefore, if he preaches to us a moral about volunteerism and service to the people, we can understand that without any real reward in the end, it will not be worthwhile for anyone to engage in a futile struggle. Each person will look at it from the perspective of maximizing his profit, even if at this stage he does not receive any reward.

After this introduction, we can immediately move on to the first and most important stage of any startup. At this stage, we must calculate the

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investments, expenses, and overheads necessary to know what things are supposed to be.

In short, we must understand what an investment is, even though we look at the entire venture as an investment. The term investment or investments at this stage are all the expenses necessary before we even begin the journey.

At this stage, we must know what the organizationally necessary sections are in order to start the operation. In the next stage, we will need to know what the necessary sections are to sustain the operation. After that, we will join in knowing what the necessary sections are to make it take off. Finally, we will need to know what the necessary sections are to make it operate over time.

Of course, we cannot include all the initial investments of every startup. However, we can outline what, in our opinion, the initial expenses of every average startup should be.

First, we must be transparent with due disclosure. All expenses must be calculated from the moment the idea is thought up. This is very important in order to ultimately evaluate the benefit received from the entire venture.

People tend to underestimate their investment. If the entrepreneur underestimates his personal investment in the venture, why would an investor consider it at all. For the entrepreneur, this is not an important investment, so why would it be an important investment for the investor?

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Therefore, our suggestion is to open an Excel file from the beginning, write the date and time to detail what actions were taken and how long it took. The summary of the hours should be multiplied by the hourly rate that the entrepreneur receives and obtain the entrepreneur's personal investment from the very beginning of thinking about the idea.

After clarifying this point, which is a kind of recommendation for every entrepreneur, it is necessary to examine the items of initial expenditure for a startup. It should be remembered that it is the entrepreneur's right to calculate the costs of the idea and he can load this on his investment, when he considers the investors.

Therefore, most startups that did not conduct a survey in the initial stage through a professional surveyor, conduct a survey or examination of the area through volunteers and/or themselves. Therefore, this expenditure suggested above may be the startup's only initial expenditure.

In the same sense, if the entrepreneur continued after the survey, to prepare a simple prototype, a presentation, correspondence with investors and the other accessories necessary for him to recruit investors, himself, he will have to calculate all this expenditure as an initial investment.

However, if the same entrepreneur hired the services of professionals to conduct research, prepare a prototype, present to investors, and use investor relations brokers, all of these expenses will be actual expenses and will be considered as an initial investment. The difference will be that this time, he actually pays the professionals, whereas before he did it himself.

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In the context of expenses beyond the initial investment, here we must talk about a wasted investment versus a salvageable investment. That is, there are investments that cannot be realized in the event of a loss or failure of the startup. On the other hand, there are expenses that can be realized even in the event of the startup's failure.

However, the type and nature of investments depends on the nature of the startup. No one startup is the same as another. However, there are expenses that can be shared by all startups.

Legal expenses, which are required for the organization's arrangement. Renting a building and equipping it according to the nature of the work. Hiring staff, starting from the characterization stage, publishing job ads, interviews and training, cost money.

After we have started the activity, two types of expenses arise. Fixed expenses and variable expenses. Fixed expenses are expenses that remain fixed regardless of the result. For example, rent. If, for example, we rented an office at a given price, we will pay the same amount stipulated in the agreement, whether we make a profit or not.

On the other hand, an expense varies, increasing or decreasing depending on the organization's income. For example, the organization produces a certain product. The cost of the raw material in that product is, say, $2. If the organization produces 100 units or 1,000 units, the cost of the raw material will increase.

In addition to these costs, there is the cost of labor. In various countries, there are labor laws that bind the employer. These laws are usually cogent laws. That is, the employee cannot waive them. Even if the

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employee waived them and even in a contract, he can demand them again and the employer will be forced to pay.

These provisions are important, and they should be checked depending on the country in which you operate. For example, there are what are called employer liabilities. These are payments for social rights that the employer is obligated by law to pay to the employee.

As stated, different countries have different laws, especially with regard to the employee's social rights. For example, the employer is obligated to pay for the employee's illness, for his injury, for his travel to work, for annual leave days, for clothing, for pensions and severance pay, and more.

There are countries in which the cost of social payments constitutes about 45% of the employee's gross salary. That is, for every dollar the employee receives in gross, the employer spends about $0.45 on the rights. However, it is not always possible to see the value of these rights on the payslip. Although in recent years, efforts have been made to show the employee how much the salary the employee receives really costs the employer.

The entrepreneur or founder must prepare an operating budget that includes all the necessary investments in equipment, buildings, laboratories, raw materials, manpower and all relevant items for the implementation of the project.

Once the necessary amounts are known, the entrepreneur can at this stage examine how he is supposed to raise these funds. There are of

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course several options for raising funds. It is recommended to examine everything in terms of cost-effectiveness.

For example, there is a well-known program on television, in which entrepreneurs and inventors come and present the idea or product, and they ask those investors for funding. In addition to the fact that this is an entertainment program disguised as a reality show, from the negotiations that take place during the broadcast, it appears that in most cases, the entrepreneur or inventor comes out with his hands on his bottom. That is, in the end, he does not profit much from his invention.

Again, this is not a criticism, but a significant lack of understanding of the rules of the game. Basically, every investor who invests in a venture wants two main things. One is to return his investment and the other is to profit from his participation in the risk.

In fact, every investor eventually returns his investment, and in the end the investment is not within the company. Thus, the only thing the investor takes on is the risk that his investment will not be fully returned.

Therefore, no investor invests without calculating the risk. Hence, if an investor has invested in your venture, it is after assessing the chances of your venture. Therefore, his investment is free of any risk. Hence, the investor becomes a burden for the future of the venture.

Because after the investor has repaid his investment, he receives profits every year for not risking his money at all. Hence, in order to receive an investment, you must first and foremost examine the chances of your venture succeeding.

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Because if your project has an objective chance of success, you can demand more from the investor and give him as few privileges in your organization or project as possible. True, it is easier said than done, but my policy is that if it does not pay off for me, it is better not to participate.

Usually, the investor's argument will be exclusive, you have nothing, or they like to use the proverb, one hundred percent of zero is also zero. Although this is a correct argument, it does not require you to give in.

Again, once the investor decided to invest, he assessed the chance and therefore he knows that the expected value of his investment is high. Hence it is a safe investment. Therefore, all his negotiations revolve around how much more he will get out of this safe investment.

Having clarified this point, we can now move on to the various methods of financing the startup.

First, it should be emphasized again that we are talking about a legitimate startup that is not a scam, that has conducted some kind of survey that examined the necessity of the product for the customer. In addition, a financial feasibility plan and a business plan were prepared, and even a marketing plan. All of them were found to have a good chance of success. Under this condition and only under this condition can you approach and recruit investors of various types.

The first type of investors are always relatives, family members and friends. Since you are not going to deceive them, and your startup is real, there is no fear of involving relatives.

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Admittedly, there will be some conservatives who will not want to invest or even listen. On the other hand, you will find those who are looking for a "yellow banana". That is, they want to "peel and eat" here and now, and not wait "until the banana ripens".

In this case, it is advisable to establish a group of friends who will each invest an amount they can according to the needs of the organization you will establish. In the same sense, for example, you can use networking. For example, set up a Facebook page and persuade your friends on social media to come to an information conference.

After you have gathered a number of friends who have agreed to come to an information conference. You must prepare a place with technical equipment to present your project to those who come. You should use another person who will receive the visitors and record their technical details for follow-up.

It is always advisable to "plant" in this audience, also sympathetic participants. These participants will encourage the audience by shouting, for example, "Well done," "How beautiful," and all kinds of chants aimed at convincing the listeners that this is something good.

In addition, those sympathetic participants should be the first to vote when you announce who wants to invest. They should go out of their way to "break the ice" and encourage the rest to invest.

Of course, it makes sense for those fan participants to be real fans and not actors who come to deceive the audience. Because as soon as the rest discover that they were actors and not real fans, the whole operation goes down the drain and you will be declared a fraud.

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Another option for fundraising is on those sites that help people raise funds for any purpose. There are all kinds of such sites. Some require an upfront payment, others ask for a commission, and some have special conditions for the entire operation.

You should carefully check the conditions and legal implications of raising funds through websites that specialize in such fundraising. Furthermore, there are interested intermediaries who are willing to work for you in raising resources. Some require an upfront fee and others are satisfied with a commission for success.

Again, you can find them through job ads and by contacting professionals and consultants, such as investment consultants, lawyers, accountants in the field of startups, researchers in academia, or mentors in innovation centers. You can also participate in conferences, technological and environmental events. Come with short explanatory material and introduce yourself to those who may help you.

After you have exhausted these options, you can, for example, locate those angels. These are investors who are looking for a startup to invest in to increase their capital. You can find them, for example, on online investment platforms such as AngelList (https://angel.co), SeedInvest (https://www.seedinvest.com), Gust (https://gust.com).

In addition to all this, you can locate and contact venture capital funds. These are funds that specialize in risky investments. However, at this stage, you must remember what the conditions are for receiving funds from them and be prepared for any form of binding legal agreement.

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In addition to all of this, there are development authorities in various countries that aim to assist entrepreneurs and inventors. Through business incubators or through the Office of the Chief Scientist or through the Innovation Authority and more.

Below is an action plan for locating and contacting private and other investors

Step 1: Preparing basic marketing materials

Short concept document (1–2 pages) - Prepare a short, concise, focused document, with an emphasis on the problem, the solution, the potential of the market and the current stage in which the startup is.

Short pitch presentation (10–12 slides) - Prepare a presentation that is suitable for a 10–15 minute presentation, with a clean and clear design.

Executive Summary - You should also prepare a short, personal and professional cover letter that you can send by email.

Step 2: Locate relevant private investors

Online investment platforms such as AngelList (https://angel.co), SeedInvest (https://www.seedinvest.com), Gust (https://gust.com)

Apply to local twerking, for example, look for groups of entrepreneurs and investors on Facebook, LinkedIn, Meetup.com. You can also attend conferences, technological and environmental events (e.g. Cleantech, Smart Cities). Consider contacting professionals and consultants, for example, investment advisors, lawyers, accountants in the startup field, researchers in academia or mentors in innovation centers.

Step 3: Establish initial contact and contact

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Send a personal and targeted email, with an attached concept document. Draft a personal contact according to the investor profile (for example: emphasize the environmental aspect for an investor with a background in the environmental field). And request a short conversation or meeting (even video) to present the idea.

Step 4: Manage conversations and follow up

First, you need to prepare a clear conversation script with key points to emphasize. Don't forget to document the conversations, feedback, and next steps. Always send a thank you email and consistent communication without pressure.

Step 5: Continue working

Collect professional feedback to improve the documents and distribute them more widely. From the feedback, prioritize those investors who have shown interest and focus on them. Also, consider offers for partnership, consulting, or mentoring, even if not an immediate investment.

It should be remembered that investors are people who usually decide based on the personality of the presenter and not just on the financial potential inherent in the idea. Therefore, they will prefer to invest in a good idea with a special and pleasant personality of the founder, than in a good idea with an unpleasant personality. Therefore, build an interesting and authentic story, because people connect with entrepreneurs with a vision. Beyond that, prepare yourself to answer technical and financial questions, in case investors are interested in your idea and examine it in depth.

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Furthermore, don't be afraid to receive rejections, rejection is a natural part of the fundraising process. And always be open to changes in the plan based on feedback or suggestions from investors.

You should therefore draft emails to contact private investors, prepare a conversation script and project presentation, and prepare a professional pitch presentation.

One of the problems that may arise is presenting too much science, and the investors have adopted the idea cell and turned to implementing it themselves. Or you have even appeared before potential investors and presented the idea and even the prototype. After a while, you have received a rejection and realized that your idea has been adopted and is already showing progress.

Therefore, the most important thing is also to protect your idea. You should consider steps to protect the idea:

First step It is advisable to submit a confidentiality request (NDA - Non-Disclosure Agreement) before revealing deep technical details. However, it is always better to be careful, to present the idea in such a way that it does not reveal too much. Furthermore, it is always possible to start with a general initial presentation and without revealing details that could allow copying. In many cases, ideas like yours require technical expertise to implement, so even if an idea is taken, the implementation is not trivial.

From here, you must first and foremost show seriousness and professionalism. You can do this by preparing organized supporting material (concept document, pitch presentation) that strengthens trust.

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If possible, you can include an attempt to collect professional opinions (experts, engineers) and add them as support. You should emphasize that the idea is also based on fieldwork such as observation, survey or interviews.

Furthermore, you should choose the appropriate parties to contact. For example, contacting foundations and organizations that are experts in your field, who do not only deal with general startups but also in areas related to your field. You can also contact experts, researchers, academics and government agencies (such as the Innovation Authority), they are sometimes more open and professional.

Remember to have the right approach to inquiries. For example, don't expect an immediate response; patient follow-up is part of the game. Also, approach gradually, first with general material, only after receiving a positive response, forward more detailed material. If possible, try to build a network of contacts through conferences, experts, and recommended.

Fear of copying ideas is natural, but if you build a measured and professional exposure process, present clear material, and choose the right factors, you can reduce this risk and increase the chance of receiving serious attention.

Remember that it will always be better to send them an email. This is exactly the first and right step. Therefore, you should send a short, professional, and focused email. Attach a concept document as a PDF file or link it within the email, if you have a digital version). It should be noted that many organizations activate protection for their email inbox.

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When their system can classify any message from an unknown sender as spam. Therefore, you must make sure that the subject of the email is clear and compelling enough to entice the reader to even open the email. This way, the system won't recognize something promotional in the title and immediately classify the message as spam.

Here are some tips for sending the email. Write a personal address as much as possible (for example: “Dear Mr. Cohen” or “Dear Investment Team”), if you know the person’s name, that’s even better. Don’t attach too large files, a 1–2 page PDF file is ideal. Briefly request a meeting or conversation to continue. And always remember to briefly introduce yourself (or the project team if any), without overloading the reader with unnecessary details.

Here are the main chapters of an extended concept document

Document title

1. Background and field observation – Briefly describe the work process you carried out here, for example, a survey or observation, which puts the startup on your “radar”.

2. The global and national problem – Present here the problem you found in your work process. Also describe the problem as a problem that may be of interest to a wider audience of customers.

3. Description of the proposed solution – Give a brief description of the solution, while not confusing the reader with dry technical terms. You can do this at a later stage. However, you must show expertise in what you do.

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4. Key Benefits – Show here what are the key benefits of the product or service you offer. While showing the benefit in fulfilling the existing need of the customer.

5. Current Status and Action Plan – Show where you stand in terms of the project at this stage. If you have prepared a feasibility plan or a business plan, indicate this at this stage. After, detail what your action plan is going forward

6. Market Potential and Investment – Indicate here what the market potential is. If you have a market survey, it is worth indicating key data from the survey or observation or from customer intentions. Indicate how the potential can be global. Also indicate what the necessary investment is with brief details.

7. Call to action – Finally, you will make the reader take action by using terms such as opportunity, investment for the future, etc. and will call on the reader to advance the venture such as investing in a prototype or further research and/or any other action aimed at advancing the startup.

Example of a letter of application to funds

Hello,

We are approaching you with an opportunity to invest in an innovative technological venture in the field of

The project aims to provide a solution

We would be happy to arrange a meeting or conversation to present the detailed plan and explore possibilities for cooperation and investment.

Best regards,

[Name of contact person or "venture team"]

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[Method of contact: phone, email]

Investor presentation structure (Pitch Deck) – recommended slides

- Title: venture name and logo (if any)
- Problem: What is the big problem the venture solves
- Solution: Brief description of the technology
- Market: Scope and growth
- Competitive advantages: What sets you apart
- Business model: How will you make money
- Current status: Development stage
- Team / partners (if any)
- Investment requirement: How much money and goals of use
- Summary and call to action

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Chapter Eleven

In this chapter, we will offer a number of variables that can help an entrepreneur or founder examine the venture he dreams of carrying out. Below, we will offer what are called financial statements of organizations. First, we will note who it is important to.

Financial statements are important for current and potential investors who provide capital to the company. They are supposed to receive information about possible and required returns on their investment in the form of dividends or otherwise. Lenders who are supposed to analyze the company's solvency. As well as suppliers and other creditors. Even employees who need to know whether the company is paying as it should and so on.

Financial statements are also critical for customers, especially when they pay before receiving the goods. These reports are also important for government institutions such as tax authorities and others.

The purpose of the financial statements is to provide information about the financial position, results of operations, and cash flows of the entity. Information that will be useful to users of the reports in making various economic decisions. In addition, the financial information is intended to be a tool for evaluating management's performance.

It should be noted that there are a number of basic assumptions of the financial information and the preparation of the financial statements. First, the information is prepared on an accrual basis rather than a cash

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basis. This way, the information more accurately reflects the company's situation.

The going concern assumption. This assumption includes the assumption that the company is expected to continue operating for the foreseeable future and is not going to liquidate its business or significantly reduce it. The conceptual framework says that if this is not the case and the reports are required to be prepared in a different manner, this must be disclosed. In other words, if we have concluded that the company does not meet the going concern assumption and the reports are prepared on a different basis, this must be disclosed.

Financial statements have four main characteristics, which we will briefly present. The first characteristic is their clarity. The reports should be clear. The report should be material and relevant. Therefore, the information should be material and can be examined quantitatively and qualitatively. The information must be reliable, neutral and complete. When the intention is to present material information rather than formal information. The information should also be particularly careful, since sometimes it involves estimates and not established information.

The caution comes because the information in the reports can contain what is known as a distinction in recognition between contingent liabilities and contingent assets. A contingent liability is when the company has an obligation, such as a legal claim, that will be settled at a future date. On the other hand, a contingent asset is when, for example, the company is suing another party or there is indemnity from an insurance company or a third party, and the asset will only be settled at a

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later date. Here, it is determined that it is generally forbidden to recognize a contingent asset unless there is an almost certain probability.

The fourth characteristic of the reports is comparability. It is important that the financial information be comparative financial information, both between different companies at the same time and comparability within the same company over different periods. In the company itself, in order to obtain comparability, we present comparative figures from previous periods. In order for the comparative figures to have value, it is determined that consistent and uniform accounting policies must be applied to the same transactions over different periods of time in the company's life.

There are constraints on financial statements, for example the need to balance reliability with relevance. As well as the issue of cost versus benefit. Another constraint of comparability versus relevance. These constraints dictate the approach to the reports. The dominant approach today is called the "pure management approach," according to which the business segments in the company will be presented according to the internal view of the company's operational decision makers. In other words, even if that segment does not meet quantitative tests, but management sees it as a separate area of activity in its managerial view, then that segment will be presented as a separate segment.

A company’s financial statements have four main components: assets, liabilities, equity, and profit and loss (income and expenses).

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An asset is something that the company has, controls, and is expected to provide future benefits to the company – for example, money, services, savings on payments, or products. The condition is that the asset was created as a result of an event that occurred in the past (such as a purchase or contract) and is under the company's control at the time the report is prepared. Examples of assets:

A prepayment for rent (considered an asset because services are received in the future). Expenses on issuing shares or bonds. A controlling shareholder's obligation to inject money in the future. Purchase of the company's own shares.

A liability is the company's obligation to pay money or provide services in the future, because of an existing obligation created in the past. This is a negative cash flow - that is, an outflow of resources from the company to other parties.

Examples of liabilities: Expected payments to employees (such as pensions). Debts to suppliers. Payments to authorities such as income tax and national insurance. Sometimes a liability for expected losses in the future is also considered a future expense.

Equity is what remains of the assets after all liabilities are deducted. It represents the share of the company's owners. It includes: Share capital. Premiums on shares. Various capital funds. Surpluses (undistributed profits).

Income is an increase in assets or a decrease in liabilities - as long as it does not come from the shareholders' investment.

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Expense is a decrease in assets or an increase in liabilities - as long as it is not due to a distribution To the owner.

Examples that are not considered income/expense but rather actions of the owner. Investing money in the company (issuing shares). Distribution of a dividend (money or property given to the shareholders). A controlling shareholder who is subject to a debt of the company towards him.

How do you know whether to include something in the financial statement? Three conditions must be met: The item meets the definition (asset, liability, income or expense). It is probable that there will be a benefit or payment from it in the future. It can be measured reliably.

How do you measure the value of items in the statement? There are several methods: Historical cost – according to what was actually paid. Fair value – according to a free market price. Realization price – according to how much we can get if we sell the asset today. Present value – a calculation of how much money is worth today that is expected to come in or go out in the future.

This is the place to introduce the term share. A share is a certificate of participation in a company's capital. In principle, there are different types of shares. We will try to offer many of the types here. It should be noted that in every economic economy, there are types of shares that are more popular than other types. Therefore, it is necessary to examine separately which types of shares are common in that economic economy. Preferred shares - come to meet the need that various companies have to increase their financial resources by raising capital on

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the stock exchange without diluting the rights of the directors. The main advantage of a preferred share is the priority it gives its holders at an earlier date, compared to other shareholders, in receiving dividends (profits distributed to shareholders), so that other shareholders are forced to make do with the remainder. This share does not grant its holders the right to vote in all matters concerning their rights. As a rule, preference shares are divided mainly according to the nature of their accumulation and participation in the management of the company

Controlling shares – give their owner control over the company by granting him priority voting rights and allowing him to impose his will on the other shareholders in the company. The logic behind the process of issuing controlling shares is to allow the general investing public to participate in the ownership of the company and its success, but at the same time to preserve in the hands of its founders or main owners the exclusive right to decide on its affairs. In this way, they also retain the possibility of determining who will manage the company, who will be a member of the board of directors, etc.

Golden share – a special type of controlling share is a golden share, which is a single share that grants the holder 50% of the voting rights in the company. This means that the holder of the golden share, in addition to the ordinary share in his possession, has an automatic majority at every shareholders' meeting.

Management share - a share that grants its owner special rights in choosing the company's management, and thereby essentially gaining

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control of the company. These shares are not usually traded on the stock exchange.

Founder share - a share that is usually given to the founders of the company and they carry preferential rights regarding control and management of the company. The share is given to them so that they are not required to give up control of the company when shares are issued to additional people. Foundation shares allow for complete control of the company, even though the holder does not necessarily hold most of the ownership rights and most of the rights to receive dividends from the company.

Deferred share - a share that grants inferior rights in relation to other shares - such as the last right to receive dividends. Sometimes these shares are deprived of voting rights.

Bonus share – a share granted without consideration to an interested party. Generally, the shareholders' entitlement to receive bonus shares stems from the rights attached to the existing shares they own prior to the allocation of the bonus shares. Another definition of bonus shares explicitly discusses the situation in which the entitlement to bonus shares stems from the existing shares (or other existing securities)

Share to the bearer of this document (to the bearer) - the transfer of a security to the bearer is carried out by physically delivering the note. In fact, it is a piece of paper that the holder owns the security. In this way, a bearer security differs from a registered security, the ownership of which is recorded in a single central register, managed by the issuing corporation.

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A bond (bond) – constitutes an obligation to pay, it is a financial instrument through which money is borrowed from the public with the intention of repaying it with interest.

Two main forms: bonds issued by large companies and bonds issued by governments. Most bonds are negotiable and can change hands several times from the moment of their issuance until their maturity. Trading in bonds until their maturity is usually done through the stock exchange. It should be noted that trading on the stock exchange does not change the nature of the transaction (principal and interest) stated in the bond but rather reflects the demand and supply of that paper.

A security is not always offered for the payment of the debt, but offering security for the debt increases the chance of the public purchasing the bond

Each bond has a par value. This value is determined by law or by the provisions of any law subject to the relevant economic economy. Some economies determine that the initial value issued for each bond will be $1. In the case of a bond, they may be indexed according to the terms of the loan.

As a result, what is called a total value is created. This is the number of bonds issued multiplied by their amounts, which represents the total value of the series issued. Each bond bears interest. This is the payment offered to the bond buyer. Sometimes the interest is paid before the entire debt is repaid. This method, called a coupon, was used by the Marshall Plan to rebuild Europe after World War II.

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Each bond has a stated maturity date. At this date, the bond can be converted into cash. The maturity date allows the investor to calculate profitability. There are three types of bond maturities. Short-term bonds are up to one year, medium-term bonds are between one year and ten years, and long-term bonds are over ten years.

It is possible to distinguish between the different types of bonds according to the interest they carry: fixed-interest bond, variable-interest bond, index-linked bond, foreign exchange-linked bond, zero-coupon bond, consul bond, or perpetual bond or perpetual bond. The issuer of the bond also determines whether there are government bonds, municipal bonds, and corporate bonds.

Another important term to understand is the option, which is a contract between two parties, the option writer, also called the option seller, and the option buyer. The option writer grants the option buyer the right to purchase or sell an asset for a predetermined price.

The call option holder exercises the option, purchasing the underlying asset from the option writer at the strike price. When the put option holder exercises the option, he sells the underlying asset to the option writer at the strike price. The dates on which the option holder can exercise it depend on the type of option.

There are two main types of options: American options and European options. American options give the option holder the right to exercise the option at any time before the option expires, while European options give the right to exercise it only on the option's expiration date. There

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are other types of options, such as binary options, Bermudan options, and others, but their use is limited and restricted.

Options belong to a type of tradable securities called "derivatives", since the trade is not in the asset itself but in contracts relating to the asset. Options should be distinguished from a warrant, a security that is a purchase option that allows the purchase of shares and is sold as another financial instrument.

In most countries of the world, the government imposes taxes on its residents. In principle, there are several types of definitions for such payments:

Tax – a mandatory payment not in order to receive any consideration (e.g. income tax, property tax, etc.)

Fee – a payment for receiving consideration or participation fees (e.g. education fee, sewage fee, etc.)

Losse – a "metaphor" between a tax and a participation fee, usually imposed on a service or user fee (e.g. landfill fee, improvement fee, etc.).

In order to pay income tax, it is necessary to define the concept of income. It has been found that there are three forms or definitions of the term income. Income, according to the first definition, is all the amounts that a person issues as a result of the economic effort he makes (whether from personal income or otherwise).

Another definition may explain the term income as all the expenses that a person incurs during a given period. Where the implicit assumption here is that it is not possible to spend without first bringing in. A third definition of income would be the difference between the amount

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received and the amount invested to produce that amount. That is, the profit or difference would be called income.

Therefore, all taxation systems in the world impose taxes on all the above-mentioned forms of the definition of the term income, tax on income, on expenditure and tax on profit.

In every economic system, there is a relationship between assets and liabilities. Below is a brief description of the main relationships.

Current ratio - an index for assessing the organization's liquidity in the short term, that is, the organization's ability to meet current debts. This is the ratio between current assets on the balance sheet and current liabilities. Because it is not possible to quickly convert a liquid asset into cash, this index must be considered differently. It is customary to see a ratio of 1.4 as a normal ratio. On the other hand, a company that has a higher current ratio indicates a failure in inventory management and a failure to utilize cash reserves and customer credit.

Current assets: inventory of goods, cash on hand, cash at the bank and short-term deposits.

Quick ratio - an index for testing the firm's ability to repay debts immediately. This is the ratio between current liabilities and current liquid assets: cash, securities on the stock exchange and accounts receivable (without inventory). Because inventory is sometimes dead stock. A ratio lower than 0.5 is considered to indicate the firm's inability to repay its debts.

Debtors turnover ratio - From the balance sheet and income statement data, calculate the total liability (in the numerator) divided by total sales.

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This is a better indicator than financial leverage to check the firm's ability to meet its obligations.

Accounts receivable ratio - examines the liquidity of customer debt. Total sales (in the numerator) divided by customer balances. From this we derive the collection period = customer days ratio multiplied by 360 days. And the collection days = the result of calculating the collection period.

Asset turnover ratio - examines the relationship between sales (turnover) and the scope of investment in the firm. Sales (in the numerator) divided by operating assets or fixed assets or all assets. Gives how much money can be generated from all the money invested in the firm.

Fixed asset turnover ratio - as mentioned above in relation to fixed assets.

Financial leverage - the ratio between foreign capital and the total capital of the firm (own + foreign). Reflects the capital structure of the firm and serves as an indicator for assessing its liquidity. High leverage means more liabilities to foreign capital.

Examining the feasibility of a venture is an important activity in any field. The basic premise will be that an investment or investment project means one-time expenses at the beginning of the venture (investment) that allow for a stream of outputs or services throughout the years of the venture's existence. For the purpose of examining its feasibility, we will describe an investment venture as a stream of monetary amounts that appear at the end of each year of the venture's existence. These amounts arise from the existence of the venture and could not have appeared without the existence of the venture.

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A net annual amount (annual amount) will be defined as the difference between actual receipts and payments each year. When the receipt is less than the payment, we will receive a negative annual amount, and vice versa when the receipt is greater than the payment, the annual amount will be positive. Every venture is characterized by negative annual amounts at the beginning of the venture and positive annual amounts at the end of the venture.

The economic value of an amount of money available to us today is greater than the value of the same amount that will be available to us in the future. Due to the possibility of receiving payment from a certain person for the use of our money and/or the need to pay an unknown person for the use of his money. To this must be added the natural inflation that exists due to the constant increase in prices in every economy.

An investment project that lasts several years creates income and expense streams at different points in time. Therefore, we cannot make a simple accounting summary of income and expenses throughout the years of the project, but we will have to express the different value of the amounts each year.

It is necessary to calculate the value of the amounts resulting from the project in such a way that they all appeared at one point in time. To calculate this, the interest factor must be taken into account!

Interest is a payment for the use of money over time. For the lender, it is income and for the borrower, it is an expense. The lender requires compensation for the use of his money (or his failure to use his money).

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The interest rate describes the size of the payment for the use of capital. The interest rate indicates the percentage of the amount in question that must be paid to the lender in order to use his money for a specified period of time.

It is customary to use annual interest rates (although it is also customary to take a monthly interest rate) - for example, if we state that the interest is 10%, this usually means 10% per year (unless otherwise stated). In this case, we will pay an additional $100 in annual interest for an amount of $1,000. At the end of the year, we will pay $1,100 (instead of the original $1,000).

In the present value feasibility study, the present value of all receipts and payments resulting from the project's existence is calculated. The amounts must first be calculated for each year and then capitalized for the defined period.

Annual amounts will be income from the project's output, loan receipts, grants received during the project. Payments will be establishment expenses (investment), annual operating expenses, loan repayments, and income tax.

Net present value will be defined as the difference between the present value of all positive flows (receipts) and the present value of all negative flows (payments).

A project will be viable when it has a positive present value, which describes that the project can pay all the expenses that apply to it and still leave a profit for the entrepreneurs at the end of the project.

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When choosing between several projects, the project that will yield the greatest net present value should be chosen, provided that risk factors and the size of the investment are also taken into account.

A project should be examined according to the present value criterion when the following conditions are met: the investment period lasts for years; the annual amount is different from year to year; it is necessary to compare different projects with each other in terms of the length of their life;

The net present value criterion is considered a more accurate criterion from an economic perspective, and therefore it is tried to be used if there are no special reasons to prefer other methods of examining the feasibility of an investment.

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Chapter Twelve

In this chapter we will deal a little with the field of pricing, this is a very broad field and we will not be able to contain the entire subject in this limited framework. However, we will try to give the main points of this broad and important subject.

In principle, the way in which various products and services are determined will dictate in a certain way whether the organization will meet its forecasts or not. Furthermore, it may even determine the business result of that organization.

If we set prices that are too high, customers may not be tempted to purchase the product or service. At least those who do not believe that the price is appropriate for the level of quality of the product and/or service they will receive. As if the return is not worth their money.

On the other hand, if the prices that are set are too low, we will not be able to obtain the maximum income potential of that organization. The result of each of these situations is that the profit will be lower than the profit that could have been generated.

There are different methods for setting prices, the first method we will present is the trial-and-error method. (Trial-and-error Method). The basic premise here is that prices move up and down. Thus, the price of the goods or service will be different in each period in order to examine what effect this will have on sales and profits.

When the set price achieves the maximum profit, which is appropriate for the organization's management, this price will be set as the desired

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price. This method ignores many factors other than room prices, which affect sales and profits, such as the economic situation and competition in the industry. As a result, a price range that seems optimal at a certain time, at another time will not achieve the best results. On the other hand, this method may also confuse customers during the price experiment.

Another pricing method is the Rete-cutting Method.

Here, the essence of the method is to reduce product prices below competitors' prices. The goal of this method is to make the customer come to us and not to the competitor who sells the same product. However, this method is dangerous when costs are ignored. When variable costs are higher than product prices, profit is eroded.

This method is used to compensate for the loss of profitability per unit of product by selling additional products. The additional profit created always comes at the expense of competitors. Therefore, when such a situation exists, competitors also lower prices and the resulting competition may cause everyone to lose, since this leads to a price war.

The High Rate Method is a method that uses pricing at a higher price than that of competitors. This is a method that comes to differentiate this organization from others. This is done by branding the product's benefits, for example. This is because for customers, a high price is associated with a higher quality of service and better conditions. The danger here is when the quality really does not meet the price conditions, then it becomes a double-edged sword and will cause customers to switch to that organization.

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The Competitive Method presents the possibility of setting competitive prices, meaning matching prices to competitors' prices and then differentiating from them in location, atmosphere, and other non-monetary elements. When there is one dominant organization in the market that often dictates prices to its closest competitors, this method is commonly referred to as the Follow-the-Leader method.

In the competitive method, there is stability in market prices. This method may be effective in the short term, but if competitive pricing is carried out without additional knowledge of differences between organizations resulting from the nature of the product and differences in costs between one manufacturer and another, this method may be problematic.

The methods we have mentioned so far are very useful today for determining product prices among various organizations. This is because the managers of these organizations understand them and they are easy to use. However, if the organization is not operated efficiently, the use of one of the methods mentioned will not help the organization achieve its maximum sales. Correct pricing of their product is a tool that aims to increase profitability. Usually the problem is in finding the balance between the optimal production price and the profitability of the organization. That is, prices must be determined only after weighing the influence of all variables. That is, it is impossible to lower the price of the product in order to attract additional customers, when the reduced price cannot cover the costs associated with operating the organization.

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To do this, it is necessary to know and understand the scope of expenses that the organization itself has. The specific cost structure of a particular organization is also an important element that influences product pricing decisions.

Cost structure in this context means dividing costs into fixed and variable costs. Fixed costs are those that are unlikely to change in the short term, such as management salaries and insurance expenses. Variable costs, such as maintenance expenses, are those that increase or decrease depending on the product.

If an organization has a fixed cost structure at a high rate relative to variable costs, the organization's profits will be less stable when the volume of sales increases or decreases. In such a case, correct pricing becomes extremely important.

Therefore, the scope of expenses must be significantly outlined. All indirect expenses, including direct ones, should be included. For example, an indirect expense would be an expense for management salaries and all the benefits they receive. They are an indirect expense since they do not contribute directly to production and the cost of raw materials. Hence, these expenses, of the managers, should be burdened on the entire production itself.

Expense analysis is based on the application of techniques known as "Cost-Benefit Analysis". You can also find materials related to this in areas such as "performance research", "systems analysis" and the like.

For example, an organization can have various expense items. Expenses on security, fees and licensing, on communications and the Internet,

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office expenses, municipal taxes, accounting, auditing, electricity, refreshments, employer liabilities, water, bank account management, travel, rent, employee wages, maintenance, system maintenance, transportation and handling, raw materials, auxiliary materials, transportation and many other expense items depending on the nature of the organization.

In a competitive market, it is forbidden to copy competitors' prices, but it is necessary to examine the weaknesses and strengths of the organization against those of the competitors. In this way, it is possible to differentiate this relevant organization from other competing organizations and emphasize the elements that make it unique, which should be emphasized in the sale of products or services.

Organizations that manage to differentiate themselves from the rest are granted greater freedom in setting prices. The difference can be expressed in the atmosphere, design, location, landscape, and so on. Each organization should have a motif and line that will create differentiation of the product. This way, it will seem to the customer that no two organizations in the same industry are "selling" the same product.

Through differentiation, the price becomes the amount that the customer thinks he should pay for the special product he is purchasing. Hence, the greater the difference, the higher amounts can be charged.

Sometimes, with most methods, one forgets to emphasize the rational and logical method of pricing. The goal of an organization is to increase profits as a result of correctly pricing its products. Hence, there is an

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almost direct relationship between pricing and revenue. Therefore, prices must reflect the ability to cover all of its expenses and generate a profit that creates a sufficient return on investment.

Therefore, when we come to price an organization's products or services, we must first determine the profit we would like to achieve, taking into account the fixed and variable expenses, and thus determine the revenues we must reach and what prices we must set in order to meet the required revenue threshold.

There is an approach that sees profit as an expense. This approach holds that profit is the cost of doing business. When a bank gives a loan to an organization at a certain interest rate, the interest is considered a cost in the business. The bank is an investor. The owners of the organization also invest their money and energy and expect to receive some interest on their investment. The "interest" from the investor's side is called profit. Therefore, profit can be viewed as another fixed expense of the business.

The break-even point of the expense and profit will be the point we should aim for. This amount should be divided by the number of products, for example, and this is the price we should charge for each product.

Hence, an expense break-even point can add, in addition to expenses, the desired profit to justify, for example, investments. This method can lead to a more complex perception of the pricing issue. This is because this method requires taking into account the general variable of

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expenses. Thus, it actually places more burden on the price of the product, which may result in a high price.

Example, let's say that the fixed expenses of a certain organization are $100,000 per month. The scope of variable expenses per unit of product is 40% and the general profit required on an investment of $100,000, let's say, is $10,000.

Therefore, if we put it in the equation, we will learn that we need an amount that will balance 60% of $110,000. This is done by dividing $110,000 by 60% and we get $183,000.

If we divide the amount into details, we find that $73,000 are variable expenses that constitute 40% of the amount. $100,000 are fixed expenses and the balance will be $10,000 as profit on the investment of the funds.

Now if we produce, say, 20,000 items per month, the loading on each item will be $183,000 divided by 20,000, which is $9.15 per item. If we sell each item for $10.15, we break even and we have earned an additional $20,000.

This method, which was common in the 1980s for businesses that generally sold cheap products at the initial cost. When we essentially built on the concept of maximizing the customer's profit.

That is, a customer who looks only at the price will see this method as a successful patent. That is why all those stores were founded where each item cost a dollar or some other fixed price for the entire store.

This method cannot be useful for an organization that is trying to differentiate itself and offer a higher quality product. Such an

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organization can use the cost plus profit method. That is, it calculates the cost of its expenses, loads all the expenses on all the items produced. To this price it adds the costs of the raw material and finally adds any operating profit.

In order to load expenses systematically, it is necessary to examine the steps involved in loading. First, the indirect costs must be sorted according to the different departments of the organization. In this initial division, we divide between the production departments and the service departments.

Then, we load the indirect costs that have accumulated in the service departments onto the different production departments, that is, we "close" the cost centers, the service departments. And we charge the profit centers from the production departments

There are three methods for allocating the costs of service departments to production departments: a direct method, called complete disregard, a one-way stepwise method, and an algebraic method with full consideration of mutual service.

At this stage, all indirect costs are allocated, including the costs of service departments that have been allocated to the various products. The allocation will be based on: number of products produced, quantity of raw materials, cost of raw materials, number of direct hours, their cost, etc.

The direct method (complete disregard) - the cost of each service department is allocated according to the relative number of units in the load base consumed by each of the production departments. In this

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method, the mutual service provided between the various service departments is ignored. The order in which the departments are allocated is not important.

The staggered method (one-way) - the cost of one service department is loaded onto all other departments (service and production). Then, the cost of another service department is loaded onto all other departments except for the service departments that have already been assigned.

The order in which the service departments are loaded onto the production departments affects the calculation of the total indirect cost of each department. There are three methods for determining the order of service department allocation: ascending mutual service, descending mutual service, and random allocation.

In this method, we must perform a preliminary preparation stage before proceeding to the allocation of service departments. In a preliminary stage, we must calculate which service department contributed more to the total and which less, and according to the requested method, we will allocate the departments.

The algebraic method (full consideration of mutual service) - This method takes into account the mutual loadings between service departments. The total cost of a department is equal to the identified cost plus its relative share in the total cost of the other department. We will solve the problem of mutual allocation between service departments using an algebraic equation:

X - Total cost of service 1

Y - Total cost of service 2

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Proportional share in service 2 + identified cost of service 1 = X

Proportional share in service 1 + identified cost of service 2 = Y

In this method, the loading order is not important.

Departmental rate - This is a rate in which the total indirect costs are calculated in each department, including the department's share in the service departments, and divided by the loading base determined in the department.

Factory rate - This is a rate in which the total indirect costs of each company, including the costs of the service departments, are added up and divided by the total loading base of the firm. This rate cannot be applied when the departments' load bases are different. This rate can be applied when there is a difference (gap) between the departmental rates of up to 10%.

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Chapter Thirteen

This chapter deals with a comprehensive understanding of the field of marketing and its importance to every business owner, self-employed person or organization manager, emphasizing that marketing is not just advertising or selling – but a broad set of actions, processes and strategic decisions.

Marketing is a comprehensive process that includes all the channels, tools and actions designed to expose, promote and sell a product or service – with one goal: business success. In fact, every interaction – whether in the political, cultural, educational or business fields – includes elements of marketing, from personal persuasion to broad strategic planning.

Marketing touches every space between the producer and the consumer: from the product, through price and perceived value, to visibility, availability, communication, service and customer experience. It includes not only advertising and sales but also market analysis, differentiation, brand development, digital presence, content creation and public relations.

Small business owners, independents, service providers and non-profit managers need to ask themselves key questions:

Do they have a clear business identity, vision and strategy?

Are their products well characterized and their prices affordable and profitable?

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Who is the target audience, how can they be reached, and what differentiates the business from competitors?

Is there a proper marketing presence – website, content, branding, social networks, advertising activity and public relations?

Effective marketing requires planning, focus, clear branding and consistent communication, while exploring new markets, relevant niches and developing competitive advantages. Waiting for customers is not a strategy – you must take constant initiative.

Every marketing plan should include three parts:

.1 Gathering information and analyzing the situation in the target market.

.2 Determining marketing objectives, i.e. where you want to go.

.3 Determining the marketing strategy. i.e. what you need to do to achieve the objectives you have set.

Before you can set objectives and decide on the necessary marketing actions, you must be well acquainted with the situation in the target market. To get to know the market, you must gather information. Here are the main questions to ask yourself at this stage:

What are the boundaries of your market area? You must define in advance in which areas you intend to operate. Will the activity be nationwide, in a specific city or in a specific area within a city. What areas will your customers come from? The boundaries of the area and the characteristics of the residents in that area are of great importance to your marketing actions.

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What is the trend in the market to which the marketing organization is addressing? It is important to examine the situation in the target market and try to diagnose whether there is a change in the tastes and desires of the target audience.

What are the main problems in the target market? You should try to identify the problems in the market, what difficulties will you face in reaching and convincing the target audience to purchase the marketing organization's products or services?

What are the opportunities? Sometimes, by carefully examining the target market, it is possible to identify opportunities that can be exploited.

What is the sales potential in dollars and percentages? You should try to predict the sales potential of the product or service in the target market. This figure is essentially the limits to which you can reach.

Who are the main competitors? In order to effectively penetrate the market, you must know the people operating in it. Who are the future competitors? It is important to know the advantages and disadvantages of each competitor. This information will help you be competitive and take full advantage of the potential.

Who are the types of potential customers of the marketing organization? The market is usually not homogeneous, there are different types of customers, the market must be "segmented". That is, to identify groups of customers who have a common denominator and try to adapt the product and marketing efforts to the groups that express the best potential for the marketing organization. For example, if you decide to

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appeal to a group of customers with high incomes, it will be possible to demand a high price, but in this case you must pay attention to quality, packaging and service. On the other hand, if you appeal to those with low incomes, there will be room to lower prices at the expense of quality and variety.

Why would potential customers buy the product or service being offered to them, and why is this product important to them? The needs and desires of potential customers must be known and understood in order to ensure that the product or service meets their needs. If the product or service does not meet the needs and/or demands of the customers, the product will not be sold.

Who are the major potential customers of the marketing organization? Often a high percentage of the total sales of any business is directed to a small group of customers. Pareto's law also applies here, according to which 20% of customers will be responsible for 80% of the sales volume and the remaining 80% will contribute only 20% of the sales volume.

In light of this phenomenon, there is an urgent need to identify who the major customers are and it would be advisable to direct special marketing efforts towards them.

How can the necessary information be obtained? Obtaining the information is done by conducting market research, there are two options for this. One is to hire the services of a market research company, such a company will prepare a questionnaire for you, operate a system of interviewers in person or by phone, process the information statistically and submit a detailed report.

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The second way is to collect the information personally without the involvement of a professional survey company.

Also with this method, you can, for example, draw information from potential suppliers, interview and talk to potential customers. You can even pretend to be a potential customer to competitors and get information from them about their products.

The information obtained by such methods can not always provide accurate statistical information, however, following thorough field work, it may provide enough information for content analysis and strategic processing.

After collecting the necessary information, you must move on to the second stage of the marketing plan, which is setting marketing goals. Setting goals is an important stage in any plan, and a marketing plan is no exception.

When setting goals, be sure to define the goals in a quantitative and measurable manner and set a time frame for achieving the goals. It is recommended to set goals by periods, for example, the first three months, the second half of the year, the first year, the second year, and longer-term goals. Marketing goals can be of several types:

Sales volume - First, the planned sales volume must be set as a goal, you must be careful and set a realistic goal. It is important that the goal be achievable with the means and resources available to the marketer.

Market segment - A sales goal can be defined as achieving the market segment that you intend to conquer. Such a definition inevitably leads to

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dealing with competitors, since this penetration will come at the expense of competitors. Therefore, it requires a certain marketing strategy.

Defining a market segment requires knowledge of the size of the entire market. Thus, defining the market segment can take on quantitative dimensions. For example, if the market value of the product you are dealing with is five million dollars per year, the marketer's goal for the first year is 5%, hence, the marketer's goal is aimed at $250,000, which is an average monthly goal of about $21,000. This number is important because it presents the result of the marketer's marketing effort. This result should provide an answer to the marketer's expenses.

Distribution - One of the marketing goals will be the ability to reach a certain level of distribution. If the product is distributed through supermarkets, for example, and there are 1,200 supermarkets in the target area, and the marketer has determined that his product will achieve a 50% distribution percentage, meaning that the marketer's product will reach approximately 600 supermarkets in the distribution area.

Image - Another type of goal must be set for the marketing system, which is the pursuit of establishing a certain image for the organization. The image is built to establish the product in the minds of consumers. It can be decided what image the organization wants for itself. The cheapest on the market, a quality product, the most reliable on the market, and more. Everything is subject to the will of the marketed organization. It should be noted that building an image costs money, and does not depend solely on the effort of the marketer. Sometimes

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negative or positive advertising of the organization may cause changes in the planned image.

Product or service awareness – is defined as an effort to reach as high a percentage of the target audience as possible that knows about the product. Awareness is measured in percentages, and can be determined as a goal to strive for. Such a determination leads to an operative marketing effort to achieve the planned goal.

The basic premise will be that the more people know about the product or service, the greater the chances that more people will consider purchasing the product or service offered. Hence, the less familiar the product or service is, the less likely it is to generate revenue.

Determining the marketing strategy – After the information has been collected through market research and the goals to be achieved have been set, it is time to prepare the action plan. That is, to plan what to do and how to act in order to achieve the set marketing goals.

When talking about a marketing strategy for any type of business, there are eight areas in which to operate within the framework of the marketing strategy. These areas will determine the success or failure of any business.

The product or service - the features of the product or service are actually the most important component in the marketing system. A good product on its own is not enough. It must provide a response to the customer's need.

Therefore, it is necessary to learn what the need is among the target audience and the survey conducted may provide answers to this. Here,

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attention must be paid to the issue of market segmentation. Often the market is not homogeneous and different groups within the potential customer audience have different needs and desires.

In such a case, it is necessary to choose those market segments in which we will be efficient and competitive. Market segments large enough to allow us to sell a profitable amount of goods must be chosen.

At this point, there are several options: to specialize in one large market segment or to build several models of the product, each model suitable for a different market segment. This while adapting the product to the requirements of the relevant target audience.

Pricing - The price of the product is of great importance and has an impact on the purchasing decisions of many customers and thus affects the volume of sales. Therefore, this issue is of great importance. Many people decide what to buy based on price. Some will always look for the cheapest product. Others will prefer to purchase the most expensive products if they offer quality and prestige. But usually people will decide based on a certain balance between price and quality.

In determining the price of an organization's products or services, there are three main considerations: production costs, the price of competitors and the profit necessary for the organization's survival. It should be noted that the options for determining a pricing policy are very diverse. Below are some of the options that offer a variety of considerations for determining price.

Penetration price - reducing prices and making do with a small profit in the first period of business activity

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Innovative price - when there is an exclusive innovative product, it is possible to set a high price initially in order to take advantage of the exclusivity and innovation until competitors enter the market.

Price war - when a strong competitor lowers prices, the price must be lowered to match it.

Competitive price - when a strong competitor raises prices, it is also worth raising the price and still being cheaper than the competitor.

Advertising and sales promotion - many businesses cannot exist without some advertising. Various businesses could increase their sales with the help of effective advertising. Advertising is a profession, hence it is preferable to consult and operate through a professional advertising agency. Always remember to emphasize in each advertisement the benefit that the product or service will bring to the customer.

It is highly recommended to set an annual advertising budget and operate within this budget. The size of the advertising budget will be determined according to the goals we set in the marketing plan.

Personal selling and service provision – sometimes it is necessary to include the operation of salespeople in the business as well as personal sales carried out by the organization itself. Hence, it is very important to improve sales skills. Customers are the most important business asset of the business and must be maintained. Care must be taken to provide appropriate compensation, provide excellent service and treatment, and guide and educate the other salespeople and employees in the business in this spirit.

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It is very important to make sure to employ talented salespeople, even if it costs more. In many businesses, the skills of the salespeople are one of the main factors in the volume of sales. In the matter of managing salespeople. All while maintaining a high level of motivation of the salespeople.

Part of the salesperson's personal motivation is the desire to succeed and the personal challenge of closing deals. Therefore, feedback is an important component in this regard. This appreciation can be expressed in benefits, bonuses, and various awards, but also in "a pat on the back" and in public praise and appreciation. Training and further education should also be conducted to improve the skills of salespeople.

Packaging - When an organization produces a product, the issue of packaging becomes relevant. Studies show that the design of the product's packaging plays an important role in the consumer's purchasing decision. There are many known cases in which successful packaging was a significant factor in the success of a particular product. Because of the importance of packaging, there are even cases in which the cost of packaging is higher than the cost of the product itself. As part of the marketing strategy, it is worth devoting efforts and resources to the issue of packaging.

Distribution network - A distribution network, as part of the supply chain that brings the product to the final customer. This is a logistics system that should operate efficiently and lead the products to the maximum number of points of sale. The basic premise will be, more points of sale, more sales.

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There are two main options here, building an independent distribution system or using subcontractors. Cost-benefit considerations must be applied to decide on the option that suits you best.

Distributors and "dealers" - the marketing channels of a product marketed through stores or independent distributors. In this case, a policy for relations with distributors and store owners must be formulated. In many areas, there is great competition between different manufacturers and it is important to encourage the distribution channels that will promote the products, in terms of location and exposure to the audience.

Public relations - Public relations means getting the business or product mentioned in various media. Products that have become overnight sales hits because of mention in the media. This field must be operated professionally and can be used with a public relations company that will lead the issue professionally.

Determining the marketing budget - The marketing budget will allow for the promotion of the entire marketing. Therefore, the costs of each issue in the marketing and advertising strategy must be estimated.

Like any plan, it is necessary to determine the schedule for implementation. This schedule will direct the actions and necessary tasks subject to the marketing plan. It should be remembered that each task must be assigned the force that will carry it out.

At the same time, it is necessary to present the responsibility and supervision that will operate so that the actions are carried out in accordance with the work plan. Therefore, a specification of forces and

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tasks, executive responsibility and supervisory responsibility must be maintained, as well as a schedule for implementation and timing of the action.

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Afterword - Prologue

A startup is a temporary organization, whose goal is to find a sustainable business model that can be replicated and grown with quickly, often under conditions of high uncertainty. To succeed, the startup must provide a solution to a real and not imaginary problem of a given target audience.

Recently, the term "startup" has become more of a way to describe a desire for growth, innovation, and overcoming uncertainty, than to describe a clear business structure. The ongoing use of this term, as with any inappropriate use, has made the term synonymous with an innovative venture, and less presents the difficulties that exist within this framework.

Despite the startup being a formula that means growing quickly and succeeding, the majority of startups fail. They fail mainly because the idea or product they are working on did not catch on. It did not catch on and there is no need for it.

However, other reasons such as unsuitable staff, incorrect financial planning, strong competition and regulatory issues are also reasons that may influence and cause the startup to fail.

Hence, understanding the existing and/or possible weaknesses may help a new startup succeed. Especially when learning from the experience of others, one can be wise not to "fall" into the same "pitfalls" that those before us fell into.

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The method that almost works for a startup, this is what characterizes startups that have become a great success, is to start a small, local venture and examine how it can grow. This is mainly conditioned by referring to the same failures that led to the failure of other startups.

It should be remembered that studies show that the founding team is one of the factors that most influence the success or failure of a startup. Even startups with a great idea can fail if the founders do not perform well. The founder is the heart and soul of the startup, he is the one who pushes, decides and leads. Without a strong founder, it is likely that the startup will have difficulty surviving.

From this, it can be assumed that there are many variables that may lead the startup to success. However, there are also other variables that can lead the startup to failure. From this, it is necessary to consider the totality of variables that contribute to and hinder the success of the startup.

Sometimes, people may confuse an invention with a startup. Remember, an invention is a new idea or product. That is, it is something innovative, technological, or a product that did not exist before. On the other hand, a startup is a new business that is trying to build a new product/service with rapid growth potential.

A startup is not just about an invention, but about building a business around the invention. It includes development, marketing, sales, customer acquisition, and capital raising. If a new formula for laundry detergent is found, it will not be a startup.

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This is because laundry detergent is a relatively traditional product with a very competitive market. To turn an invention into a startup, you need an innovative business model, a clear competitive advantage, and a way to expand quickly.

If you turn the washing powder into a product that connects to some innovative technology, for example a product with revolutionary environmental protection, it has a chance of becoming a startup.

Thus, although it is possible that every startup can start with an idea or invention, on the other hand not every invention becomes a startup. Again, since a startup is also a business with a vision, a growth model, and a plan to turn an idea into a product or service that reaches the market.

Despite the above, it must be remembered that humans are creatures that can learn. Therefore, is it possible to teach people without a vision or ability to start a startup? You can teach the technical skills and basic knowledge. You can certainly teach people how to build a product, how to manage a project, how to raise money, even if they do not have a clear vision or entrepreneurial experience.

Although technical knowledge and skills are acquired, and they are very important. Vision and entrepreneurial ability are personal traits and a sense of motivation. Vision is something that comes from passion, from understanding the "why".

In addition, the ability to start a startup also requires a willingness to take risks, solve problems in real time, and lead. This is a trait that more

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or less exists in a person, to take risks. However, you can learn to calculate risks and take calculated risks.

Thus, with the accumulated experience of life, with good teaching, you can help develop vision and ability. For example, through courses, mentoring and workshops that can inspire, help those who do not have a vision to connect with it. These means can also enhance the ability to deal with challenges and entrepreneurial thinking can be strengthened through learning and experiences.

Hence, the "how" of starting a startup can and should be taught to people without vision or entrepreneurial experience, but it is also necessary to develop vision and entrepreneurial ability in a personal process that requires more inspiration, experience and exposure to the world of entrepreneurship.

In fact, any such program must also include the opportunity to encourage and train personal and related skills. Therefore, it is recommended that such a program include both practical exercises and workshops that will provide participants with the possible tools for success.

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